



Annual Financial Statements

For the year ended 30 June 2015

Ku-ring-gai Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

"...a creative, vibrant place where citizens respect each other and conserve the magnificent environment and society for our children and our grandchildren"



Ku-ring-gai Council

General Purpose Financial Statements

for the financial year ended 30 June 2015

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Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Ku-ring-gai Council.

(ii) Ku-ring-gai Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

(iii) All figures presented in these financial statements are presented in Australian Currency.

(iv) These financial statements were authorised for issue by the Council on 08 September 2015. Council has the power to amend and reissue these financial statements.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their Council and Community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2015.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by Senior staff as "presenting fairly" the Council's financial results for the year, and are required to be adopted by Council - ensuring both responsibility for and ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair values of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities and "Net Wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "Net Wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the financial statements provide greater detail and additional information on the 5 primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in Local Government).

In NSW, the Auditor provides 2 audit reports:

1. An opinion on whether the financial statements present fairly the Council's financial performance & position and
2. Their observations on the conduct of the Audit including commentary on the Council's financial performance & financial position.

Who uses the Financial Statements ?

The financial statements are publicly available documents and must be presented at a Council meeting between 7 days & 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Ku-ring-gai Council

General Purpose Financial Statements for the financial year ended 30 June 2015

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:

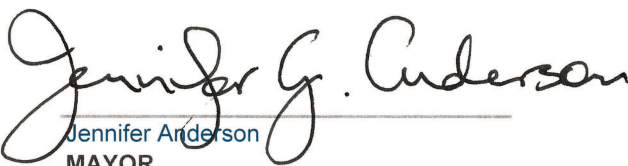
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these Financial Statements:

- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

We are not aware of any matter that would render the Reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 08 September 2015.



Jennifer Anderson
MAYOR



Chantelle Fornari Orsmond
DEPUTY MAYOR



John McKee
GENERAL MANAGER



Angela Apostol
RESPONSIBLE ACCOUNTING OFFICER

Ku-ring-gai Council

Income Statement for the financial year ended 30 June 2015

| Budget 2015 | \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|--|-------|----------------|--------------------|
| INCOME FROM CONTINUING OPERATIONS | | | | |
| Revenue: | | | | |
| 76,772 | Rates & Annual Charges | 3a | 76,370 | 72,976 |
| 15,700 | User Charges & Fees | 3b | 13,683 | 11,480 |
| 3,450 | Interest & Investment Revenue | 3c | 4,027 | 3,962 |
| 9,165 | Other Revenues | 3d | 9,534 | 9,308 |
| 6,090 | Grants & Contributions provided for Operating Purposes | 3e,f | 7,728 | 4,703 ² |
| 17,110 | Grants & Contributions provided for Capital Purposes | 3e,f | 9,126 | 12,924 |
| Other Income: | | | | |
| 4,302 | Net gains from the disposal of assets | 5 | 12,852 | 1,516 |
| 132,589 | Total Income from Continuing Operations | | 133,320 | 116,869 |
| EXPENSES FROM CONTINUING OPERATIONS | | | | |
| 37,287 | Employee Benefits & On-Costs | 4a | 36,127 | 35,014 |
| 2,091 | Borrowing Costs | 4b | 1,562 | 1,466 |
| 37,280 | Materials & Contracts | 4c | 38,390 | 31,096 |
| 19,559 | Depreciation & Amortisation | 4d | 19,349 | 18,457 |
| - | Impairment | 4d | - | - |
| 15,892 | Other Expenses | 4e | 15,306 | 14,795 |
| 112,109 | Total Expenses from Continuing Operations | | 110,734 | 100,828 |
| 20,480 | Operating Result from Continuing Operations | | 22,586 | 16,041 |
| 20,480 | Net Operating Result for the Year | | 22,586 | 16,041 |
| 3,370 | Net Operating Result for the year before Grants and Contributions provided for Capital Purposes | | 13,460 | 3,117 |

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 were lower reflecting a one off timing difference due to a change in how the grant was paid in prior years - refer Note 3 (e)

Ku-ring-gai Council

Statement of Comprehensive Income for the financial year ended 30 June 2015

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|---|----------|----------------|----------------|
| Net Operating Result for the year (as per Income statement) | | 22,586 | 16,041 |
| Other Comprehensive Income: | | | |
| Amounts which will not be reclassified subsequently to the Operating Result | | | |
| Gain (loss) on revaluation of I,PP&E | 20b (ii) | 93,593 | 1,870 |
| Total Other Comprehensive Income for the year | | 93,593 | 1,870 |
| Total Comprehensive Income for the Year | | 116,179 | 17,911 |

Ku-ring-gai Council

Statement of Financial Position as at 30 June 2015

| \$ '000 | Notes | Actual 2015 | Actual 2014 | Actual 2013 |
|--|-------|------------------|------------------|------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash & Cash Equivalents | 6a | 184 | - | 13,028 |
| Investments | 6b | 34,826 | 41,457 | 42,876 |
| Receivables | 7 | 8,081 | 7,811 | 7,379 |
| Inventories | 8 | 251 | 252 | 253 |
| Other | 8 | 1,304 | 1,159 | 1,283 |
| Non-current assets classified as 'held for sale' | 22 | 1,040 | 7,290 | |
| Total Current Assets | | 45,686 | 57,969 | 64,819 |
| Non-Current Assets | | | | |
| Investments | 6b | 62,274 | 51,005 | 34,999 |
| Receivables | 7 | 150 | 185 | 192 |
| Inventories | 8 | - | - | |
| Infrastructure, Property, Plant & Equipment | 9 | 1,075,975 | 976,281 | 957,714 |
| Intangible Assets | 25 | 646 | 776 | 850 |
| Total Non-Current Assets | | 1,139,045 | 1,028,247 | 993,755 |
| TOTAL ASSETS | | 1,184,731 | 1,086,216 | 1,058,574 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Payables | 10 | 10,609 | 11,055 | 11,047 |
| Borrowings | 10 | 2,536 | 4,397 | 2,992 |
| Provisions | 10 | 10,300 | 10,307 | 9,602 |
| Total Current Liabilities | | 23,445 | 25,759 | 23,641 |
| Non-Current Liabilities | | | | |
| Payables | 10 | - | - | - |
| Borrowings | 10 | 23,987 | 39,335 | 31,676 |
| Provisions | 10 | 293 | 295 | 339 |
| Total Non-Current Liabilities | | 24,280 | 39,630 | 32,015 |
| TOTAL LIABILITIES | | 47,725 | 65,389 | 55,656 |
| Net Assets | | 1,137,006 | 1,020,827 | 1,002,918 |
| EQUITY | | | | |
| Retained Earnings | 20 | 725,925 | 703,339 | 687,300 |
| Revaluation Reserves | 20 | 411,081 | 317,488 | 315,618 |
| Council Equity Interest | | 1,137,006 | 1,020,827 | 1,002,918 |
| Non-controlling Equity Interests | | - | - | - |
| Total Equity | | 1,137,006 | 1,020,827 | 1,002,918 |

Ku-ring-gai Council

Statement of Changes in Equity for the financial year ended 30 June 2015

| \$ '000 | Notes | Retained Earnings | Reserves (Refer 20b) | Council Interest | Non-controlling Interest | Total Equity |
|--|----------|-------------------|----------------------|------------------|--------------------------|------------------|
| 2015 | | | | | | |
| Opening Balance (as per Last Year's Audited Accounts) | | 704,772 | 317,488 | 1,022,260 | - | 1,022,260 |
| a. Correction of Prior Period Errors | 20 (c) | (1,433) | - | (1,433) | - | (1,433) |
| b. Changes in Accounting Policies (prior year effect) | 20 (d) | - | - | - | - | - |
| Revised Opening Balance (as at 1/7/14) | | 703,339 | 317,488 | 1,020,827 | - | 1,020,827 |
| c. Net Operating Result for the Year | | 22,586 | - | 22,586 | - | 22,586 |
| d. Other Comprehensive Income | | | | | | |
| - Revaluations : IPP&E Asset Revaluation Reserve | 20b (ii) | - | 93,593 | 93,593 | - | 93,593 |
| Total Comprehensive Income (c&d) | | 22,586 | 93,593 | 116,179 | - | 116,179 |
| Equity - Balance at end of the reporting period | | 725,925 | 411,081 | 1,137,006 | - | 1,137,006 |

| \$ '000 | Notes | Retained Earnings | Reserves (Refer 20b) | Council Interest | Non-controlling Interest | Total Equity |
|--|----------|-------------------|----------------------|------------------|--------------------------|------------------|
| 2014 | | | | | | |
| Opening Balance (as per Last Year's Audited Accounts) | | 668,370 | 315,618 | 983,988 | - | 983,988 |
| a. Correction of Prior Period Errors | 20 (c) | 18,928 | - | 18,928 | - | 18,928 |
| b. Changes in Accounting Policies (prior year effect) | 20 (d) | - | - | - | - | - |
| Revised Opening Balance (as at 1/7/13) | | 687,298 | 315,618 | 1,002,916 | - | 1,002,916 |
| c. Net Operating Result for the Year | | 16,041 | - | 16,041 | - | 16,041 |
| d. Other Comprehensive Income | | | | | | |
| - Revaluations : IPP&E Asset Revaluation Reserve | 20b (ii) | - | 1,870 | 1,870 | - | 1,870 |
| Total Comprehensive Income (c&d) | | 16,041 | 1,870 | 17,911 | - | 17,911 |
| Equity - Balance at end of the reporting period | | 703,339 | 317,488 | 1,020,827 | - | 1,020,827 |

Ku-ring-gai Council

Statement of Cash Flows for the financial year ended 30 June 2015

| Budget 2015 | \$ '000 | Notes | Actual 2015 | Actual 2014 |
|---|---|-------|----------------|----------------|
| Cash Flows from Operating Activities | | | | |
| <u>Receipts:</u> | | | | |
| 76,058 | Rates & Annual Charges | | 76,298 | 72,957 |
| 15,700 | User Charges & Fees | | 14,925 | 12,971 |
| 3,743 | Investment & Interest Revenue Received | | 3,969 | 3,523 |
| 23,385 | Grants & Contributions | | 17,897 | 17,113 |
| 90 | Bonds, Deposits & Retention amounts received | | 36 | 74 |
| 9,121 | Other | | 14,788 | 15,725 |
| <u>Payments:</u> | | | | |
| (35,856) | Employee Benefits & On-Costs | | (36,187) | (34,431) |
| (34,424) | Materials & Contracts | | (42,295) | (33,645) |
| (922) | Borrowing Costs | | (812) | (528) |
| (90) | Bonds, Deposits & Retention amounts refunded | | (124) | (81) |
| (18,576) | Other | | (19,231) | (18,910) |
| 38,229 | Net Cash provided (or used in) Operating Activities | 11b | 29,265 | 34,768 |
| Cash Flows from Investing Activities | | | | |
| <u>Receipts:</u> | | | | |
| | Sale of Investment Securities | | 39,216 | 39,380 |
| 12,083 | Sale of Infrastructure, Property, Plant & Equipment | | 22,225 | 6,800 |
| <u>Payments:</u> | | | | |
| | Purchase of Investment Securities | | (43,813) | (53,961) |
| (33,735) | Purchase of Infrastructure, Property, Plant & Equipment | | (28,750) | (48,141) |
| (21,652) | Net Cash provided (or used in) Investing Activities | | (11,122) | (55,922) |
| Cash Flows from Financing Activities | | | | |
| <u>Receipts:</u> | | | | |
| 930 | Proceeds from Borrowings & Advances | | 283 | 11,070 |
| <u>Payments:</u> | | | | |
| (12,270) | Repayment of Borrowings & Advances | | (18,192) | (2,994) |
| (11,340) | Net Cash Flow provided (used in) Financing Activities | | (17,909) | 8,076 |
| 5,237 | Net Increase/(Decrease) in Cash & Cash Equivalents | | 234 | (13,078) |
| 5,495 | plus: Cash & Cash Equivalents - beginning of year | 11a | (50) | 13,028 |
| 10,732 | Cash & Cash Equivalents - end of the year | 11a | 184 | (50) |
| | plus: Investments on hand - end of year | 6b | 97,100 | 92,462 |
| | Total Cash, Cash Equivalents & Investments | | 97,284 | 92,412 |

Ku-ring-gai Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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Ku-ring-gai Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Ku-Ring-Gai Council has its principal business office at 818 Pacific Highway Gordon NSW 2072. Council is empowered by the New South Wales Local Government Act (LGA) 1993 and its Charter as specified in Section 8 of the Act.

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements which have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) & Regulation's, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

(ii) Compliance with International Financial Reporting Standards (IFRSs)

Because Australian Accounting Standards (AASBs) are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

Accordingly in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the Local Government Act (LGA), Regulations and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with Australian Accounting Standards.

(iii) New and amended standards adopted by Council

During the current year, the following relevant accounting standards became mandatory:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosures of Interests in Other Entities

AASB 10 introduced a new definition of control based on the substance of the relationship and required Councils to consider their involvement with other entities regardless of whether there was a financial interest.

AASB 11 classified joint arrangements into either joint ventures (equity accounting) or joint operations (accounting for share of assets and liabilities).

AASB 12 has increased the level of disclosures required where Council has any interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

The standard that is relevant to Council and has been adopted is:

- AASB 11 Joint Arrangements

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2014.

Refer further to paragraph (w) page 19 relating to a summary of the effects of Standards with future operative dates.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(v) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss
- (ii) the write down of any asset on the basis of Impairment (if warranted) and
- (iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

(vi) Changes in Accounting Policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated.

(vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimate and assumption that have a significant risk of causing a material adjustment to the carrying amount of asset within the next financial year is set out below:

Estimated fair values of infrastructure, property, plant and equipment.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to Council and specific criteria have been met for each of the Council's activities as described below.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, (i) it is probable that the economic benefits comprising the contribution will flow to the Council and (ii) the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

Ku-ring-gai Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Note 3(g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consent Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual Development Consents may not be acted upon by the applicant and accordingly would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

A detailed Note relating to developer contributions can be found at Note 17.

User Charges, Fees and Other Income

User charges, fees and other income are recognised as revenue when the service has been provided, the payment is received, whichever first occurs.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

Sale of Infrastructure, Property, Plant and Equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

Interest and Rents

Rental income is accounted for on a straight-line basis over the lease term.

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

Other Income

Other income is recorded when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

(c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2015) and (ii) all the related operating results (for the financial year ended the 30th June 2015).

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

(ii) Joint Arrangements

Joint Operations (controlled assets & operations)

Joint Operations represent operational arrangements where the joint control parties have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

The proportionate interests of Council in the assets, liabilities, income and expenses of all Joint Operation activities have been incorporated throughout the financial statements under the appropriate notes & line items.

Detailed information relating to Council's Joint Operations can be found at Note 19 (c).

Joint Ventures

Council has no interest in any joint venture.

(iii) Associates

Council has no interest in any Associates.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(iv) Unconsolidated Structured Entities

Council has no interest in any Unconsolidated Structured Entities.

(d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents include:

- cash on hand,
- deposits held at call with financial institutions,
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

(f) Investments and Other Financial Assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments

Each classification depends on the purpose/intention for which the investment was acquired and at the time it was acquired.

Management determines each Investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are “held for trading”.

A financial asset is classified in the “held for trading” category if it is acquired principally for the purpose of selling in the short term.

(ii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturities that the Council has the positive intention and ability to hold to maturity.

In contrast to the “Loans and Receivables” classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

General Accounting and Measurement of Financial Instruments:

(i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at "fair value through profit or loss", directly attributable transactions costs.

Purchases and sales of investments are recognised on trade-date - the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

(ii) Subsequent Measurement

Financial assets at fair value through profit and loss are subsequently carried at fair value.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "fair value through profit or loss" category are included in the income statement in the period in which they arise.

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the Policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of structured financial instruments is based on directly observable market inputs and market standard valuation methodology.

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding Rates and Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

(i) Inventories

Raw Materials, Stores, Work in Progress and Finished Goods

Raw materials, stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

(j) Infrastructure, Property, Plant and Equipment (I,PP&E)

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- Plant and Equipment
(as approximated by depreciated historical cost)
- Operational Land (External Valuation)
- Community Land (VG Valuation)
- Land Improvements
(as approximated by depreciated historical cost)
- Buildings – Specialised/Non Specialised
(External Valuation)
- Other Structures
(as approximated by depreciated historical cost)
- Roads Assets incl. roads, bridges & footpaths
(Internal Valuation)
- Bulk Earthworks (Internal Valuation)
- Stormwater Drainage (Internal Valuation)

- Swimming Pools
(as approximated by depreciated historical cost)
- Recreational Facility Assets
(as approximated by depreciated historical cost)
- Other Assets
(as approximated by depreciated historical cost)

Initial Recognition

On initial recognition, an assets cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date, being the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market circumstances.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant & Equipment:

- Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve.
- To the extent that the net increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Full revaluations are undertaken for all assets on a 5 year cycle.

Capitalisation Thresholds

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset.

Asset capitalisation threshold includes:

| | |
|--|----------|
| - Road Assets | \$10,000 |
| - Bridge Assets | \$10,000 |
| - Road & Reserve Furniture | \$2,000 |
| - Car Park Assets | \$10,000 |
| - Footpath Assets | \$5,000 |
| - Kerb & Gutter Assets | \$5,000 |
| - Stormwater Drainage Assets | \$10,000 |
| - Buildings | \$5,000 |
| - Parks & Recreation Assets | \$5,000 |
| - Fleet & Plant | \$2,000 |
| - Information Technology Hardware/ Software | \$2,000 |

In determining (and annually reviewing) such thresholds, regard is given to the nature of the asset and its estimated service life.

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

| | |
|----------------------------------|----------------|
| - Roads: Surface | 20-30 years |
| - Roads: Pavement | 50 - 100 years |
| - Roads: Formation | 120 years |
| - Recreational Facilities | 45 years |
| - Drain Structures | 10 - 50 years |
| - Drain grates, inlets and pipes | 100-150 years |
| - Buildings | 60 years |
| - Motor vehicles | 10 years |
| - Plant & Equipment | 10 years |
| - Office Equipment | 10 years |
| - Software | 5 years |

All assets residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Disposal and De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

This classification of Land is disclosed in Note 9(a).

(l) Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

(m) Intangible Assets

IT Development and Software

Systems and costs incurred in acquiring software and licenses that will contribute to future period

Ku-ring-gai Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include software licenses.

Amortisation is calculated on a straight line bases over a period of 5 years.

(n) Non-Current Assets “Held for Sale”

Non-current assets are classified as held for sale and stated at the lower of either **(i)** their carrying amount and **(ii)** fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets “held for sale”, an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets “held for sale” are not depreciated or amortised while they are classified as “held for sale”.

Non-current assets classified as “held for sale” are presented separately from the other assets in the balance sheet.

(o) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(p) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(r) Borrowing costs

Borrowing costs are expensed, except to the extent that they are incurred during the construction of qualifying assets.

(s) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Ku-ring-gai Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(t) Employee benefits

(i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

(ii) Other Long Term Obligations

The liability for all long service and annual leave (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits in respect of services provided by employees up to the reporting date.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 5 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 5 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the "Local Government Superannuation Scheme – Pool B".

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

Ku-ring-gai Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

Accordingly, Council's contributions to the scheme for the current reporting year have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20th February 2013 and covers the period ended 30 June 2015.

However the position is monitored annually and the Actuary (Mr Richard Boyfield BA, FIA, FIAA has replaced Mr Martin Stevenson as actuary with effect from 1 July 2013) has estimated that as at 30 June 2015 a deficit still exists.

As a result, the Scheme has asked for a continuation of increased future contributions to recover that deficiency.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

Defined Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(u) Allocation between current and non-current assets & liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is

given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if not expected to be settled within the next 12 months.

(v) Taxes

Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does however have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

Goods & Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

(w) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2015.

Council has not adopted any of these standards early.

Council's assessment of the impact of these new standards and interpretations is set out below.

Ku-ring-gai Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Apart from the AASB disclosures below, there are no other standards that are “not yet effective” which are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Applicable to Local Government:

AASB 9 - Financial Instruments (and associated amending standards)

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value and
- amortised cost (where financial assets will only be able to be measured at amortised cost where very specific conditions are met).

AASB 15 - Revenue from contracts with customers and associated amending standards

AASB 15 will introduce a five step process for revenue recognition with the core principle of the new Standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The full impact of AASB 15 has not yet been ascertained or quantified.

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

AASB 124 - Related Party Disclosures

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

(x) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

(y) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(z) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 2(a). Council Functions / Activities - Financial Information

| Functions/Activities | Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b). | | | | | | | | | | | | |
|--|--|----------------|----------------|-------------------------------------|----------------|----------------|---|-----------------|-----------------|--|--------------|---|------------------|
| | Income from Continuing Operations | | | Expenses from Continuing Operations | | | Operating Result from Continuing Operations | | | Grants included in Income from Continuing Operations | | Total Assets held (Current & Non-current) | |
| | Original Budget 2015 | Actual 2015 | Actual 2014 | Original Budget 2015 | Actual 2015 | Actual 2014 | Original Budget 2015 | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 |
| Governance | 4 | 11 | 1 | 226 | 176 | 245 | (222) | (165) | (244) | - | - | 79,044 | 19,920 |
| Administration | 40,262 | 48,978 | 36,394 | 27,073 | 25,200 | 24,852 | 13,189 | 23,778 | 11,542 | 59 | 28 | 165,926 | 160,015 |
| Public Order & Safety | 449 | 638 | 664 | 4,215 | 4,147 | 4,280 | (3,766) | (3,509) | (3,616) | 278 | 211 | 6,533 | 6,300 |
| Health | 137 | 173 | 132 | 457 | 373 | 435 | (320) | (200) | (303) | 24 | 61 | 6,578 | 6,344 |
| Environment | 20,321 | 20,905 | 18,759 | 26,707 | 24,547 | 23,684 | (6,386) | (3,642) | (4,925) | 172 | 79 | 4,980 | 4,803 |
| Community Services & Education | 6,351 | 6,808 | 6,159 | 6,198 | 6,514 | 5,863 | 153 | 294 | 296 | 1,414 | 1,210 | 10,532 | 10,157 |
| Housing & Community Amenities | 929 | 1,148 | 3,140 | 4,638 | 4,466 | 4,482 | (3,709) | (3,318) | (1,342) | 475 | 563 | 56,567 | 54,552 |
| Recreation & Culture | 13,452 | 10,646 | 9,584 | 23,873 | 23,846 | 19,450 | (10,421) | (13,200) | (9,866) | 513 | 444 | 337,665 | 325,635 |
| Mining, Manufacturing & Construction | 2,174 | 2,259 | 2,178 | 5,119 | 7,829 | 4,271 | (2,945) | (5,570) | (2,093) | - | - | 1,750 | 1,688 |
| Transport & Communication ² | 13,843 | 6,678 | 7,488 | 13,332 | 13,441 | 13,092 | 511 | (6,763) | (5,604) | 1,302 | 1,259 | 515,155 | 496,802 |
| Economic Affairs | 96 | 31 | 41 | 271 | 195 | 174 | (175) | (164) | (133) | - | - | - | - |
| Total Functions & Activities | 98,018 | 98,275 | 84,540 | 112,109 | 110,734 | 100,828 | (14,091) | (12,459) | (16,288) | 4,237 | 3,855 | 1,184,731 | 1,086,216 |
| General Purpose Income ¹ | 34,571 | 35,045 | 32,329 | - | - | - | 34,571 | 35,045 | 32,329 | 3,833 | 2,046 | - | - |
| Operating Result from Continuing Operations | 132,589 | 133,320 | 116,869 | 112,109 | 110,734 | 100,828 | 20,480 | 22,586 | 16,041 | 8,070 | 5,901 | 1,184,731 | 1,086,216 |

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.

2. Variance in actual compared to budget is due to lower than anticipated income received from Development Contributions.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 2(b). Council Functions / Activities - Component Descriptions

Details relating to the Council's functions / activities as reported in Note 2(a) are as follows:

GOVERNANCE

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER & SAFETY

Fire protection, animal control, enforcement of local government regulations, emergency services, other.

HEALTH

Inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES & EDUCATION

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

HOUSING & COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

RECREATION & CULTURE

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries, pits and other.

TRANSPORT & COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RMS works, other.

ECONOMIC AFFAIRS

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, commercial nurseries, other business undertakings.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (a) Rates & Annual Charges | | | |
| Ordinary Rates | | | |
| Residential | | 25,752 | 25,069 |
| Business | | 3,970 | 3,814 |
| Total Ordinary Rates | | 29,722 | 28,883 |
| Special Rates | | | |
| Environmental Levy | | 2,643 | 2,581 |
| Infrastructure Levy | | 23,739 | 23,050 |
| New Facility Rate | | 1,669 | 1,630 |
| Total Special Rates | | 28,051 | 27,261 |
| Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611) | | | |
| Domestic Waste Management Services | | 17,579 | 15,804 |
| Stormwater Management Services | | 952 | 948 |
| Section 611 Charges | | 66 | 80 |
| Total Annual Charges | | 18,597 | 16,832 |
| TOTAL RATES & ANNUAL CHARGES | | 76,370 | 72,976 |

Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (b) User Charges & Fees | | | |
| Other User Charges & Fees | | | |
| (i) Fees & Charges - Statutory & Regulatory Functions (per s.608) | | | |
| Building Regulation | | 1,660 | 1,710 |
| Certificates | | 746 | 840 |
| DA Advertising Fees | | 76 | 75 |
| Driveway Application Fees | | 252 | 359 |
| Outstanding Notices | | 148 | 190 |
| Regulatory Application Fees | | 237 | 249 |
| Tree Preservation Charges | | 91 | 119 |
| Total Fees & Charges - Statutory/Regulatory | | 3,210 | 3,542 |
| (ii) Fees & Charges - Other (incl. General User Charges (per s.608) | | | |
| Art Centre | | 446 | 448 |
| Bus Shelters | | 323 | 265 |
| Family Day Care | | 1,106 | 1,051 |
| Golf Courses | | 725 | 751 |
| Halls | | 328 | 300 |
| Holiday Activities | | 386 | 283 |
| Leaseback Fees - Council Vehicles | | 342 | 344 |
| Library | | 43 | 42 |
| Nursery | | 38 | 42 |
| Parks | | 706 | 610 |
| Restoration Charges | | 1,282 | 1,465 |
| Sale of Documents | | 6 | 4 |
| Showground | | 61 | 36 |
| Swimming Centre | | 2,234 | - |
| Tennis Courts | | 299 | 301 |
| Trade Waste Charges | | 1,666 | 1,526 |
| Other | | 482 | 470 |
| Total Fees & Charges - Other | | 10,473 | 7,938 |
| TOTAL USER CHARGES & FEES | | 13,683 | 11,480 |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|---|-------|----------------|----------------|
| (c) Interest & Investment Revenue (incl. losses) | | | |
| Interest & Dividends | | | |
| - Interest on Overdue Rates & Annual Charges | | 120 | 133 |
| - Interest earned on Investments (interest & coupon payment income) | | 3,866 | 3,823 |
| Fair Value Adjustments | | | |
| - Fair Valuation movements in Investments (at FV or Held for Trading) | | 41 | 6 |
| TOTAL INTEREST & INVESTMENT REVENUE | | 4,027 | 3,962 |
| Interest Revenue is attributable to: | | | |
| Unrestricted Investments/Financial Assets: | | | |
| Overdue Rates & Annual Charges (General Fund) | | 120 | 133 |
| General Council Cash & Investments | | 892 | 840 |
| Restricted Investments/Funds - External: | | | |
| Development Contributions | | | |
| - Section 94 | | 2,537 | 2,562 |
| Restricted Investments/Funds - Internal: | | | |
| Internally Restricted Assets | | 478 | 427 |
| Total Interest & Investment Revenue Recognised | | 4,027 | 3,962 |
| (d) Other Revenues | | | |
| Rental Income - Other Council Properties | | 4,720 | 4,703 |
| Fines - Parking | | 2,001 | 1,776 |
| Fines - Other | | 350 | 368 |
| Legal Fees Recovery - Rates & Charges (Extra Charges) | | 79 | 75 |
| Legal Fees Recovery - Other | | 87 | 65 |
| Commissions & Agency Fees | | 17 | 18 |
| Credit Card Surcharge | | 118 | 118 |
| Dog Registration Fees | | 71 | 100 |
| Filming Fees | | 6 | 8 |
| Insurance Claim Recoveries | | 95 | 105 |
| Licence Income | | 290 | 333 |
| Program Fees | | 407 | 193 |
| Recycling Income (non domestic) | | 740 | 505 |
| Surrender Lease | | - | 345 |
| Trade Discount | | 26 | 42 |
| Other | | 527 | 554 |
| TOTAL OTHER REVENUE | | 9,534 | 9,308 |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

| \$ '000 | 2015 Operating | 2014 Operating | 2015 Capital | 2014 Capital |
|--|-------------------|-------------------|-----------------|-----------------|
| (e) Grants | | | | |
| General Purpose (Untied) | | | | |
| Financial Assistance ¹ | 3,544 | 1,748 | - | - |
| Pensioners' Rates Subsidies - General Component | 289 | 298 | - | - |
| Total General Purpose | 3,833 | 2,046 | - | - |
| ¹ The Financial Assistance Grant for the comparative 13/14 year reflects a one off timing difference (reduction). This grant ceased being paid in advance in the 14/15 year by up to 50% as had occurred in previous years. | | | | |
| Specific Purpose | | | | |
| Pensioners' Rates Subsidies: | | | | |
| - Domestic Waste Management | 203 | 191 | - | - |
| Better Waste and Recycling Fund | 271 | 302 | - | - |
| Community Care | 60 | - | - | 13 |
| Community Centres | 1,298 | 1,141 | - | - |
| Economic Development | - | - | - | 15 |
| Environmental Protection | 172 | 78 | 40 | 168 |
| Fire Management | 1 | 15 | 137 | 119 |
| Library | 234 | 269 | - | - |
| LIRS Subsidy | 61 | - | - | - |
| NSW Rural Fire Services | 92 | 69 | - | - |
| Recreation & Culture | 29 | - | 171 | 28 |
| Road Safety | 54 | 170 | - | - |
| Street Lighting | 276 | 281 | - | - |
| Transport | 715 | - | 362 | 976 |
| Other | 61 | - | - | 20 |
| Total Specific Purpose | 3,527 | 2,516 | 710 | 1,339 |
| Total Grants | 7,360 | 4,562 | 710 | 1,339 |
| Grant Revenue is attributable to: | | | | |
| - Commonwealth Funding | 3,544 | 1,748 | 55 | 565 |
| - State Funding | 3,816 | 2,814 | 655 | 774 |
| | 7,360 | 4,562 | 710 | 1,339 |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

| \$ '000 | | 2015 Operating | 2014 Operating | 2015 Capital | 2014 Capital |
|---|----|-------------------|-------------------|-----------------|-----------------|
| (f) Contributions | | | | | |
| Developer Contributions: | | | | | |
| S 94 - Contributions towards amenities/services | | 2 | 18 | 7,671 | 9,562 |
| Total Developer Contributions | 17 | 2 | 18 | 7,671 | 9,562 |
| Other Contributions: | | | | | |
| Contribution to Works | | 366 | 123 | 93 | 1,679 |
| RMS Contributions (Regional Roads, Block Grant) | | - | - | 652 | 344 |
| Total Other Contributions | | 366 | 123 | 745 | 2,023 |
| Total Contributions | | 368 | 141 | 8,416 | 11,585 |
| TOTAL GRANTS & CONTRIBUTIONS | | 7,728 | 4,703 | 9,126 | 12,924 |

| \$ '000 | | Actual 2015 | Actual 2014 |
|--|--|----------------|----------------|
| (g) Restrictions relating to Grants and Contributions | | | |
| Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner: | | | |
| Unexpended at the Close of the Previous Reporting Period | | 61,444 | 65,768 |
| add: Grants & contributions recognised in the current period but not yet spent: | | 12,219 | 13,932 |
| less: Grants & contributions recognised in a previous reporting period now spent: | | (7,693) | (18,256) |
| Net Increase (Decrease) in Restricted Assets during the Period | | 4,526 | (4,324) |
| Unexpended and held as Restricted Assets | | 65,970 | 61,444 |
| Comprising: | | | |
| - Specific Purpose Unexpended Grants | | 823 | 936 |
| - Developer Contributions | | 65,147 | 60,508 |
| | | 65,970 | 61,444 |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (a) Employee Benefits & On-Costs | | | |
| Salaries and Wages | | 28,779 | 27,596 |
| Employee Leave Entitlements (ELE) | | 4,925 | 4,751 |
| Superannuation | | 3,531 | 3,452 |
| Workers' Compensation Insurance | | 296 | 778 |
| Fringe Benefit Tax (FBT) | | 358 | 356 |
| Training Costs (other than Salaries & Wages) | | 329 | 197 |
| Other | | 82 | 98 |
| Total Employee Costs | | 38,300 | 37,228 |
| less: Capitalised Costs | | (2,173) | (2,214) |
| TOTAL EMPLOYEE COSTS EXPENSED | | 36,127 | 35,014 |
| | | | |
| Number of "Equivalent Full Time" Employees at year end | | 424 | 420 |
| (b) Borrowing Costs | | | |
| Interest Bearing Liability Costs | | | |
| Interest on Loans | | 1,562 | 1,466 |
| Total Interest Bearing Liability Costs Expensed | | 1,562 | 1,466 |
| | | | |
| TOTAL BORROWING COSTS EXPENSED | | 1,562 | 1,466 |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (c) Materials & Contracts | | | |
| Raw Materials & Consumables | | 3,319 | 3,423 |
| Contractor & Consultancy Costs | | 32,818 | 25,939 |
| Auditors Remuneration ⁽¹⁾ | | 46 | 48 |
| Legal Expenses: | | | |
| - Legal Expenses: Planning & Development | | 1,277 | 704 |
| - Legal Expenses: Other | | 150 | 54 |
| Operating Leases: | | | |
| - Operating Lease Rentals: Minimum Lease Payments ⁽²⁾ | | 273 | 365 |
| Lease Expense | | 350 | 394 |
| Other | | 157 | 169 |
| Total Materials & Contracts | | 38,390 | 31,096 |
| less: Capitalised Costs | | - | - |
| TOTAL MATERIALS & CONTRACTS | | 38,390 | 31,096 |
| Auditor Remuneration | | | |
| During the year, the following fees were incurred for services provided by the Council's Auditor | | | |
| Audit and Other Assurance Services | | | |
| - Audit & review of financial statements: Council's Auditor | | 46 | 45 |
| - Other audit & assurance services | | - | 3 |
| Remuneration for audit and other assurance services | | 46 | 48 |
| Total Auditor Remuneration | | 46 | 48 |
| 2. Operating Lease Payments are attributable to: | | | |
| Computers | | 273 | 365 |
| | | 273 | 365 |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

| \$ '000 | Notes | Impairment Costs | | Depreciation/Amortisation | |
|--|-------|------------------|----------------|---------------------------|----------------|
| | | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 |
| (d) Depreciation, Amortisation & Impairment | | | | | |
| Plant and Equipment | | - | - | 894 | 948 |
| Office Equipment | | - | - | 172 | 173 |
| Furniture & Fittings | | - | - | 21 | 15 |
| Land Improvements (depreciable) | | - | - | 451 | 1,300 |
| Buildings - Non Specialised | | - | - | 2,494 | 2,460 |
| Buildings - Specialised | | - | - | 442 | 438 |
| Other Structures | | - | - | 31 | 16 |
| Infrastructure: | | | | | |
| - Roads | | - | - | 6,664 | 6,519 |
| - Bridges | | - | - | 162 | 163 |
| - Footpaths | | - | - | 1,235 | 1,280 |
| - Stormwater Drainage | | - | - | 2,396 | 2,393 |
| - Swimming Pools | | - | - | 625 | 693 |
| - Other Open Space/Recreational Assets | | - | - | 2,931 | 1,064 |
| Other Assets | | | | | |
| - Library Books | | - | - | 512 | 712 |
| - Other | | - | - | 53 | 54 |
| Intangible Assets | 25 | - | - | 266 | 229 |
| TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED | | - | - | 19,349 | 18,457 |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (e) Other Expenses | | | |
| Advertising | | 497 | 314 |
| Bad & Doubtful Debts | | 3 | 53 |
| Bank Charges | | 243 | 216 |
| Commissions | | 303 | 267 |
| Computer Software Charges | | 907 | 821 |
| Conferences | | 158 | 172 |
| Contributions/Levies to Other Levels of Government | | - | - |
| - Department of Planning Levy | | 391 | 384 |
| - NSW Fire Brigade Levy | | 1,956 | 1,974 |
| Corporate Events | | 28 | 26 |
| Councillor Expenses - Mayoral Fee | | 39 | 38 |
| Councillor Expenses - Councillors' Fees | | 179 | 176 |
| Donations, Contributions & Assistance to other organisations (Section 356) | | 173 | 142 |
| Electricity & Heating | | 1,169 | 1,036 |
| External Plant Hire | | 59 | 39 |
| Family Day Care (Child Care Assistance) | | 507 | 457 |
| Insurance | | 1,267 | 1,163 |
| Insurance Excess | | 73 | 72 |
| Postage | | 231 | 220 |
| Rate Issue Costs | | 21 | 28 |
| Rental Rebates | | 2,321 | 2,219 |
| Street Lighting | | 2,237 | 2,529 |
| Subscriptions & Publications | | 283 | 260 |
| Sydney Water | | 340 | 281 |
| Telephone & Communications | | 464 | 510 |
| Valuation Fees | | 215 | 244 |
| Vehicle Registration | | 155 | 152 |
| Other | | 1,087 | 1,002 |
| TOTAL OTHER EXPENSES | | 15,306 | 14,795 |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 5. Gains or Losses from the Disposal of Assets

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| Plant & Equipment | | | |
| Proceeds from Disposal - Plant & Equipment | | 720 | 772 |
| less: Carrying Amount of P&E Assets Sold / Written Off | | (712) | (732) |
| Net Gain/(Loss) on Disposal | | 8 | 40 |
| Infrastructure | | | |
| Proceeds from Disposal - Infrastructure | | 9,004 | 5,910 |
| less: Carrying Amount of Infrastructure Assets Sold / Written Off | | (2,937) | (4,434) |
| Net Gain/(Loss) on Disposal | | 6,067 | 1,476 |
| Financial Assets | | | |
| Proceeds from Disposal / Redemptions / Maturities - Financial Assets | | 39,216 | 39,380 |
| less: Carrying Amount of Financial Assets Sold / Redeemed / Matured | | (39,216) | (39,380) |
| Net Gain/(Loss) on Disposal | | - | - |
| Non Current Assets Classified as "Held for Sale" | | | |
| Proceeds from Disposal - Non Current Assets "Held for Sale" | | 12,607 | - |
| less: Carrying Amount of 'Held for Sale' Assets Sold / Written Off | | (5,830) | - |
| Net Gain/(Loss) on Disposal | | 6,777 | - |
| NET GAIN/(LOSS) ON DISPOSAL OF ASSETS | | 12,852 | 1,516 |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 6a. - Cash Assets and Note 6b. - Investments

| \$ '000 | Notes | 2015 | 2015 | 2014 | 2014 |
|---|-------|-------------------|-----------------------|-------------------|-----------------------|
| | | Actual Current | Actual Non Current | Actual Current | Actual Non Current |
| Cash & Cash Equivalents (Note 6a) | | | | | |
| Cash on Hand and at Bank | | 184 | - | - | - |
| Total Cash & Cash Equivalents | | 184 | - | - | - |
| Investments (Note 6b) | | | | | |
| - Term Deposits | | 16,000 | 43,000 | 28,500 | 32,000 |
| - FRN's | | 4,993 | 13,274 | - | 13,005 |
| - CDO's | | - | - | 3,000 | - |
| - Deposits (Short Term) | | 13,833 | - | 9,957 | - |
| - Other Long Term Financial Assets (CPDO PP) | | - | 6,000 | - | 6,000 |
| Total Investments | | 34,826 | 62,274 | 41,457 | 51,005 |
| TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS | | 35,010 | 62,274 | 41,457 | 51,005 |
| Cash, Cash Equivalents & Investments were classified at year end in accordance with AASB 139 as follows: | | | | | |
| Cash & Cash Equivalents | | | | | |
| a. "At Fair Value through the Profit & Loss" | | 184 | - | - | - |
| Investments | | | | | |
| a. "At Fair Value through the Profit & Loss" | | | | | |
| - "Designated at Fair Value on Initial Recognition" 6(b-i) | | 13,833 | - | 9,957 | - |
| b. "Held to Maturity" 6(b-ii) | | 20,993 | 62,274 | 31,500 | 51,005 |
| Investments | | 34,826 | 62,274 | 41,457 | 51,005 |

Council holds one "grandfathered" Investment that was previously entered in accordance with Ministerial Investment Order at the time:

- Royal Bank Of Scotland CPDO PP (Constant Proportion Debt Obligation - Principal Protected)

This is a zero coupon senior bank bond with a value of \$6M and is capital protected and invested by Council on a "held to maturity" basis being September 2016. The market value of the CPDO PP at 30 June 2015 was \$5.74M.

As per the General Terms and Condition of the investment the Note benefits from principal protection equal to the principal protection Amount on the maturity date only.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 6b. Investments (continued)

| | 2015 Actual Current | 2015 Actual Non Current | 2014 Actual Current | 2014 Actual Non Current |
|--|---------------------------|-------------------------------|---------------------------|-------------------------------|
| \$ '000 | | | | |
| Note 6(b-i) | | | | |
| Reconciliation of Investments classified as "At Fair Value through the Profit & Loss" | | | | |
| Balance at the Beginning of the Year | 9,957 | - | 8,375 | - |
| Revaluations (through the Income Statement) | 41 | - | 6 | - |
| Additions | 8,542 | - | 6,447 | - |
| Disposals (sales & redemptions) | (4,707) | - | (4,871) | - |
| Balance at End of Year | 13,833 | - | 9,957 | - |
| Comprising: | | | | |
| - Deposits | 13,833 | - | 9,957 | - |
| Total | 13,833 | - | 9,957 | - |
| Note 6(b-ii) | | | | |
| Reconciliation of Investments classified as "Held to Maturity" | | | | |
| Balance at the Beginning of the Year | 31,500 | 51,005 | 34,501 | 34,999 |
| Additions | 13,015 | 22,256 | 23,499 | 24,015 |
| Disposals (sales & redemptions) | (34,500) | (9) | (34,500) | (9) |
| Transfers between Current/Non Current | 10,978 | (10,978) | 8,000 | (8,000) |
| Balance at End of Year | 20,993 | 62,274 | 31,500 | 51,005 |
| Comprising: | | | | |
| - Term Deposits | 16,000 | 43,000 | 28,500 | 32,000 |
| - FRN's (with Maturities > 3 months) | 4,993 | 13,274 | - | 13,005 |
| - CDO's | - | - | 3,000 | - |
| - Other Long Term Financial Assets (CPDO PP) | - | 6,000 | - | 6,000 |
| Total | 20,993 | 62,274 | 31,500 | 51,005 |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details

| \$ '000 | 2015 | 2015 | 2014 | 2014 |
|---|-------------------|-----------------------|-------------------|-----------------------|
| | Actual Current | Actual Non Current | Actual Current | Actual Non Current |
| Total Cash, Cash Equivalents and Investments | 35,010 | 62,274 | 41,457 | 51,005 |
| attributable to: | | | | |
| External Restrictions (refer below) | 11,280 | 62,274 | 14,594 | 51,005 |
| Internal Restrictions (refer below) | 20,701 | - | 22,992 | - |
| Unrestricted | 3,029 | - | 3,871 | - |
| | 35,010 | 62,274 | 41,457 | 51,005 |

| 2015 \$ '000 | Opening Balance | Transfers to Restrictions | Transfers from Restrictions | Closing Balance |
|---|--------------------|------------------------------|--------------------------------|--------------------|
| Details of Restrictions | | | | |
| External Restrictions | | | | |
| Developer Contributions - General (A) | 60,508 | 10,210 | (5,571) | 65,147 |
| Specific Purpose Unexpended Grants (B) | 936 | 2,009 | (2,122) | 823 |
| Domestic Waste Management (C) | - | 18,683 | (16,200) | 2,483 |
| Infrastructure Levy | - | 2,716 | (2,716) | - |
| Environmental Levy | 1,520 | 2,643 | (1,992) | 2,171 |
| New Facility Rate | 1,942 | 2,321 | (1,911) | 2,352 |
| Specific Purpose Unexpended Loan - LIRS | 693 | - | (115) | 578 |
| Total External Restrictions | 65,599 | 38,582 | (30,627) | 73,554 |
| Internal Restrictions | | | | |
| Employees Leave Entitlement | 2,226 | 25 | (50) | 2,201 |
| Carry Over Works | 441 | - | (259) | 182 |
| Deposits, Retentions & Bonds | 1,349 | - | (150) | 1,199 |
| Infrastructure & Facilities | 13,823 | 10,573 | (12,779) | 11,617 |
| Other | 5,153 | 1,017 | (668) | 5,502 |
| Total Internal Restrictions | 22,992 | 11,615 | (13,906) | 20,701 |
| TOTAL RESTRICTIONS | 88,591 | 50,197 | (44,533) | 94,255 |

- A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- C** Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 7. Receivables

| \$ '000 | Notes | 2015 | | 2014 | |
|--|-------|---------|-------------|---------|-------------|
| | | Current | Non Current | Current | Non Current |
| Purpose | | | | | |
| Rates & Annual Charges | | 2,154 | 118 | 2,046 | 154 |
| Interest & Extra Charges | | 207 | 32 | 225 | 31 |
| User Charges & Fees | | 1,513 | - | 1,206 | - |
| Capital Debtors (being sale of assets) | | | | | |
| - Other Asset Sales - Plant | | 106 | - | - | - |
| Accrued Revenues | | | | | |
| - Interest on Investments | | 1,825 | - | 1,791 | - |
| - Other Income Accruals | | 752 | - | 538 | - |
| Government Grants & Subsidies | | 687 | - | 1,459 | - |
| Net GST Receivable | | 914 | - | 646 | - |
| Other Debtors | | 27 | - | 7 | - |
| Total | | 8,185 | 150 | 7,918 | 185 |
| less: Provision for Impairment | | | | | |
| User Charges & Fees | | (104) | - | (107) | - |
| Total Provision for Impairment - Receivables | | (104) | - | (107) | - |
| TOTAL NET RECEIVABLES | | 8,081 | 150 | 7,811 | 185 |

There are no restrictions applicable to the above receivables

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Interest was charged on overdue rates & charges at 8.50% (2014 9.00%).
Generally all other receivables are non interest bearing.
- (iii) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Note 8. Inventories & Other Assets

| | | 2015 | | 2014 | |
|---|-------|--------------|-------------|--------------|-------------|
| \$ '000 | Notes | Current | Non Current | Current | Non Current |
| Inventories | | | | | |
| Stores & Materials | | 142 | - | 149 | - |
| Trading Stock | | 109 | - | 103 | - |
| Total Inventories | | 251 | - | 252 | - |
| Other Assets | | | | | |
| Prepayments | | 1,304 | - | 1,159 | - |
| Total Other Assets | | 1,304 | - | 1,159 | - |
| TOTAL INVENTORIES / OTHER ASSETS | | 1,555 | - | 1,411 | - |

There are no restrictions applicable to the above assets.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 9a. Infrastructure, Property, Plant & Equipment

| \$ '000 | as at 30/6/2014 | | | | Asset Movements during the Reporting Period | | | | | | | as at 30/6/2015 | | | | | |
|--|-----------------|------------|----------------------|-------------------|---|------------------------------|-------------------------|------------------|----------------------------|---|---|---|------------|------------|----------------------|-------------------|---------|
| | At Cost | Fair Value | Accumulated Dep'n | Carrying Value | Asset Additions | WDV of Asset Disposals | Depreciation Expense | WIP Transfers | Adjustments & Transfers | Tfrs from "Held for Sale" category | Revaluation Decrements to Equity (ARR) | Revaluation Increments to Equity (ARR) | At Cost | Fair Value | Accumulated Dep'n | Carrying Value | |
| | | | | | | | | | | | | | | | | | |
| Capital Work in Progress | 6,651 | - | - | 6,651 | 4,911 | - | - | (3,100) | - | - | - | - | - | 8,462 | - | - | 8,462 |
| Plant & Equipment | - | 12,374 | 6,133 | 6,241 | 1,615 | (712) | (894) | - | (220) | - | - | - | - | - | 12,223 | 6,193 | 6,030 |
| Office Equipment | - | 1,810 | 957 | 853 | 275 | - | (172) | - | 208 | - | - | - | - | - | 2,363 | 1,199 | 1,164 |
| Furniture & Fittings | - | 370 | 205 | 165 | 66 | - | (21) | - | 4 | - | - | - | - | - | 445 | 231 | 214 |
| Plant & Equipment (under Finance Lease) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Land: | | | | | | | | | | | | | | | | | |
| - Operational Land | - | 52,933 | - | 52,933 | 238 | (539) | - | - | - | - | - | - | - | - | 52,632 | - | 52,632 |
| - Community Land | - | 328,350 | - | 328,350 | - | (1,428) | - | - | (147) | - | - | - | - | - | 326,775 | - | 326,775 |
| - Land under Roads (post 30/6/08) | - | 66 | - | 66 | - | - | - | - | - | - | - | - | - | - | 66 | - | 66 |
| Land Improvements - depreciable | - | 13,344 | 260 | 13,084 | 3,651 | - | (451) | - | 226 | 420 | - | - | - | - | 17,911 | 981 | 16,930 |
| Buildings - Non Specialised | - | 125,418 | 58,028 | 67,390 | 1,925 | (970) | (2,494) | 402 | 27 | - | - | - | - | - | 126,472 | 60,192 | 66,280 |
| Buildings - Specialised | - | 11,902 | 627 | 11,275 | - | - | (442) | - | (1) | - | - | - | - | - | 11,899 | 1,067 | 10,832 |
| Other Structures | - | 5,658 | 4,461 | 1,197 | - | - | (31) | - | 207 | - | - | 6,528 | - | - | 13,032 | 5,131 | 7,901 |
| Infrastructure: | | | | | | | | | | | | | | | | | |
| - Roads | - | 372,148 | 175,941 | 196,207 | 9,555 | - | (6,664) | 92 | (224) | - | - | 50,658 | - | - | 455,348 | 205,724 | 249,624 |
| - Bridges | - | 8,819 | 2,908 | 5,911 | - | - | (162) | - | 1,238 | - | (438) | - | - | - | 11,418 | 4,869 | 6,549 |
| - Footpaths | - | 43,745 | 22,527 | 21,218 | 854 | - | (1,235) | - | 354 | - | 10,156 | - | - | - | 45,413 | 14,066 | 31,347 |
| - Bulk Earthworks (non-depreciable) | - | 60,227 | - | 60,227 | - | - | - | - | - | - | (1,438) | - | - | - | 58,789 | - | 58,789 |
| - Stormwater Drainage | - | 237,192 | 101,009 | 136,183 | 1,205 | - | (2,396) | - | - | - | 28,127 | - | - | - | 236,237 | 73,118 | 163,119 |
| - Swimming Pools | - | 20,944 | 3,465 | 17,479 | 2,862 | - | (625) | 161 | 11 | - | - | - | - | - | 23,979 | 4,091 | 19,888 |
| - Other Open Space/Recreational Assets | - | 88,139 | 40,544 | 47,595 | 672 | - | (2,931) | 2,445 | (1,683) | - | - | - | - | - | 87,192 | 41,094 | 46,098 |
| Other Assets: | | | | | | | | | | | | | | | | | |
| - Library Books | - | 12,340 | 9,673 | 2,667 | 584 | - | (512) | - | - | - | - | - | - | - | 12,931 | 10,192 | 2,739 |
| - Other | - | 4,785 | 4,196 | 589 | - | - | (53) | - | - | - | - | - | - | - | 4,775 | 4,239 | 536 |
| TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP. | 6,651 | 1,400,564 | 430,934 | 976,281 | 28,413 | (3,649) | (19,083) | - | - | 420 | (1,876) | 95,469 | 8,462 | 1,499,900 | 432,387 | 1,075,975 | |

Additions to Buildings, Operational Land, Land Improvements & Infrastructure Assets are made up of Asset Renewals \$17M (Buildings & Infrastructure Assets \$11.4M & Land Improvements \$5.6M) and New Assets \$8.87M. Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

Council has no Externally Restricted Infrastructure, Property, Plant & Equipment.

Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Note 10a. Payables, Borrowings & Provisions

| \$ '000 | Notes | 2015 | | 2014 | |
|--|-------|---------------|---------------|---------------|---------------|
| | | Current | Non Current | Current | Non Current |
| Payables | | | | | |
| Goods & Services - operating expenditure | | 4,347 | - | 4,414 | - |
| Goods & Services - capital expenditure | | 1,382 | - | 1,583 | - |
| Payments Received In Advance | | 1,625 | - | 1,441 | - |
| Security Bonds, Deposits & Retentions | | 2,621 | - | 2,709 | - |
| Other | | 634 | - | 908 | - |
| Total Payables | | 10,609 | - | 11,055 | - |
| Borrowings | | | | | |
| Bank Overdraft | | - | - | 50 | - |
| Loans - Secured ¹ | | 2,536 | 23,987 | 4,347 | 39,335 |
| Total Borrowings | | 2,536 | 23,987 | 4,397 | 39,335 |
| Provisions | | | | | |
| Employee Benefits; | | | | | |
| Annual Leave | | 3,124 | - | 3,109 | - |
| Sick Leave | | 321 | - | 400 | - |
| Long Service Leave | | 6,093 | 293 | 5,990 | 295 |
| Gratuities | | 762 | - | 808 | - |
| Total Provisions | | 10,300 | 293 | 10,307 | 295 |
| Total Payables, Borrowings & Provisions | | 23,445 | 24,280 | 25,759 | 39,630 |

(i) Liabilities relating to Restricted Assets

There are no restricted assets (external or internal) applicable to the above liabilities.

1. Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 10a. Payables, Borrowings & Provisions (continued)

| \$ '000 | Actual 2015 | Actual 2014 |
|---|----------------|----------------|
| (ii) Current Liabilities not anticipated to be settled within the next 12 months | | |
| The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months. | | |
| Provisions - Employees Benefits | 7,210 | 7,602 |
| Payables - Security Bonds, Deposits & Retentions | 2,486 | 2,574 |
| | 9,696 | 10,176 |

Note 10b. Description of and movements in Provisions

| Class of Provision | 2014 | Additional Provisions | Decrease due to Payments | 2015 | Unused amounts reversed | Closing Balance as at 30/6/15 |
|--------------------|------------------------------|-----------------------|--------------------------|--|-------------------------|-------------------------------|
| | Opening Balance as at 1/7/14 | | | Remeasurement effects due to Discounting | | |
| Annual Leave | 3,109 | 2,410 | (2,395) | - | - | 3,124 |
| Sick Leave | 400 | (6) | (73) | - | - | 321 |
| Long Service Leave | 6,285 | 1,328 | (1,227) | - | - | 6,386 |
| Gratuities | 808 | (41) | (5) | - | - | 762 |
| TOTAL | 10,602 | 3,691 | (3,700) | - | - | 10,593 |

- a. Employees Leave Entitlements and On-Costs represent those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 11. Statement of Cash Flows - Additional Information

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|---|-------|----------------|----------------|
| (a) Reconciliation of Cash Assets | | | |
| Total Cash & Cash Equivalent Assets | 6a | 184 | - |
| Less Bank Overdraft | 10 | - | (50) |
| BALANCE as per the STATEMENT of CASH FLOWS | | 184 | (50) |
| (b) Reconciliation of Net Operating Result to Cash provided from Operating Activities | | | |
| Net Operating Result from Income Statement | | 22,586 | 16,041 |
| Adjust for non cash items: | | | |
| Depreciation & Amortisation | | 19,349 | 18,457 |
| Net Losses/(Gains) on Disposal of Assets | | (12,852) | (1,516) |
| Non Cash Capital Grants and Contributions | | 750 | 938 |
| Losses/(Gains) recognised on Fair Value Re-measurements through the P&L: | | | |
| - Investments classified as "At Fair Value" or "Held for Trading" | | (41) | (6) |
| +/- Movement in Operating Assets and Liabilities & Other Cash Items: | | | |
| Decrease/(Increase) in Receivables | | (126) | (533) |
| Increase/(Decrease) in Provision for Doubtful Debts | | (3) | (10) |
| Decrease/(Increase) in Inventories | | 1 | 1 |
| Decrease/(Increase) in Other Assets | | (145) | 124 |
| Increase/(Decrease) in Payables | | (67) | 560 |
| Increase/(Decrease) in Other Liabilities | | (178) | 51 |
| Increase/(Decrease) in Employee Leave Entitlements | | (9) | 661 |
| NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS | | 29,265 | 34,768 |
| (c) Non-Cash Investing & Financing Activities | | | |
| Nil | | | |
| (d) Financing Arrangements | | | |
| Unrestricted access was available at balance date to the following lines of credit: | | | |
| Bank Overdraft Facilities (1) | | 2,000 | 2,000 |
| Credit Cards | | 100 | 100 |
| Total Financing Arrangements | | 2,100 | 2,100 |

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are disclosed in Note 15.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 12. Commitments for Expenditure

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (a) Capital Commitments (exclusive of GST) | | | |
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: | | | |
| Property, Plant & Equipment | | | |
| Buildings | | 891 | 890 |
| Other | | 4,459 | 3,794 |
| Total Commitments | | 5,350 | 4,684 |
| These expenditures are payable as follows: | | | |
| Within the next year | | 5,350 | 4,684 |
| Total Payable | | 5,350 | 4,684 |
| Sources for Funding of Capital Commitments: | | | |
| Unrestricted General Funds | | 5,350 | 4,684 |
| Total Sources of Funding | | 5,350 | 4,684 |
| (b) Finance Lease Commitments | | | |
| Nil | | | |
| (c) Operating Lease Commitments (Non Cancellable) | | | |
| a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable: | | | |
| Within the next year | | 297 | 203 |
| Later than one year and not later than 5 years | | 533 | 166 |
| Later than 5 years | | - | - |
| Total Non Cancellable Operating Lease Commitments | | 830 | 369 |

b. Non Cancellable Operating Leases include the following assets:

Council's current operating leases are for IT Equipment including desktop computers, laptops, printers and multi-function devices and are for a term of three years.

Conditions relating to Operating Leases:

- All Operating Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

| \$ '000 | Amounts 2015 | Indicator 2015 | Prior Periods 2014 2013 | |
|---|-----------------|-------------------|---------------------------------|--------|
| Local Government Industry Indicators - Consolidated | | | | |
| 1. Operating Performance Ratio | | | | |
| Total continuing operating revenue ⁽¹⁾ | | | | |
| (excl. Capital Grants & Contributions) - Operating Expenses | 567 | 0.51% | 1.56% | 5.84% |
| Total continuing operating revenue ⁽¹⁾ | 111,301 | | | |
| (excl. Capital Grants & Contributions) | | | | |
| 2. Own Source Operating Revenue Ratio | | | | |
| Total continuing operating revenue ⁽¹⁾ | | | | |
| (excl. All Grants & Contributions) | 103,573 | 86.00% | 84.72% | 84.22% |
| Total continuing operating revenue ⁽¹⁾ | 120,427 | | | |
| 3. Unrestricted Current Ratio | | | | |
| Current Assets less all External Restrictions ⁽²⁾ | 34,406 | 2.50x | 2.78 | 2.04 |
| Current Liabilities less Specific Purpose Liabilities ^(3, 4) | 13,749 | | | |
| 4. Debt Service Cover Ratio | | | | |
| Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation | 21,478 | 1.09x | 4.82 | 10.88 |
| Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement) | 19,754 | | | |
| 5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage | | | | |
| Rates, Annual and Extra Charges Outstanding | 2,511 | 3.18% | 3.25% | 3.47% |
| Rates, Annual and Extra Charges Collectable | 79,025 | | | |
| 6. Cash Expense Cover Ratio | | | | |
| Current Year's Cash and Cash Equivalents + All Term Deposits | 59,184 | 6.08 mths | 8.01 | 7.68 |
| Payments from cash flow of operating and financing activities | 9,737 | | | |

Notes

⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months

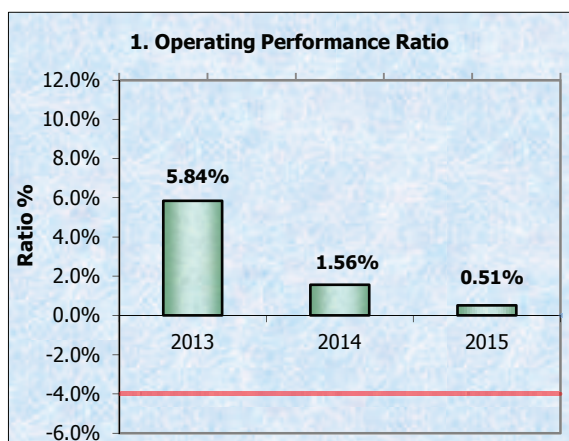
⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) - excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



Benchmark: — Minimum $\geq -4.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Operating Performance Ratio

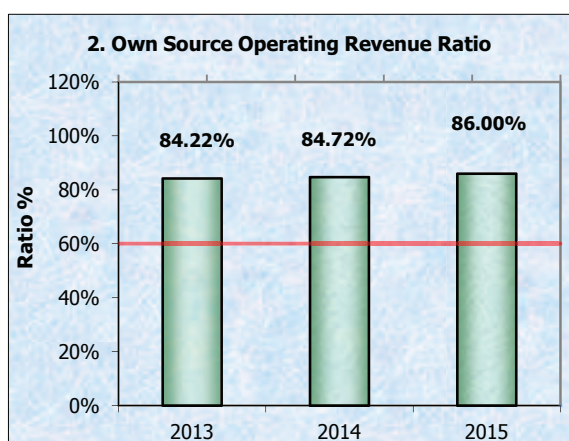
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2014/15 Result

2014/15 Ratio 0.51%

Council's performance ratio is above the benchmark of (-4%), which means that Council can easily contain operating expenditure (excluding capital grants and contributions) within its operating revenue. The ratio has been above benchmark for the last three years.

Ratio is within Benchmark
 Ratio is outside Benchmark



Benchmark: — Minimum $\geq 60.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Own Source Operating Revenue Ratio

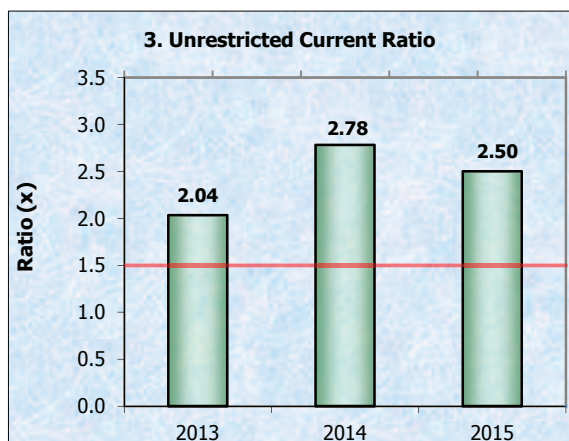
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.

Commentary on 2014/15 Result

2014/15 Ratio 86.00%

Council's Own Source Operating Revenue Ratio has remained above the benchmark of ($>60\%$) in the last three years. Council has sufficient level of fiscal flexibility, in the event of being faced with unforeseen events.

Ratio is within Benchmark
 Ratio is outside Benchmark



Benchmark: — Minimum ≥ 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Unrestricted Current Ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2014/15 Result

2014/15 Ratio 2.50x

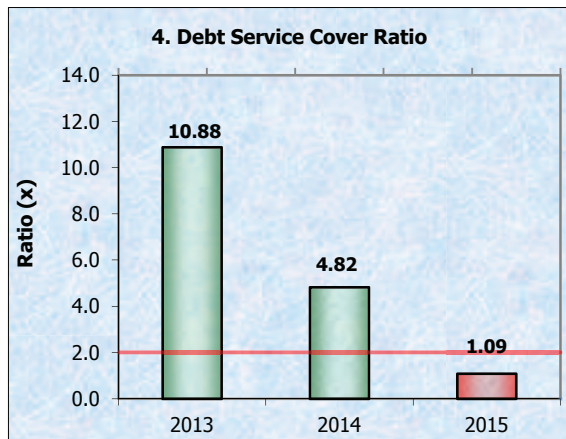
Council's Unrestricted Current Ratio is above the benchmark of $>1.5x$ and has been outperforming benchmark for the last three years. Council's liquidity is good and it can readily pay its debts as they fall due.

Ratio is within Benchmark
 Ratio is outside Benchmark

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



Benchmark: — Minimum ≥ 2.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Debt Service Cover Ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2014/15 Result

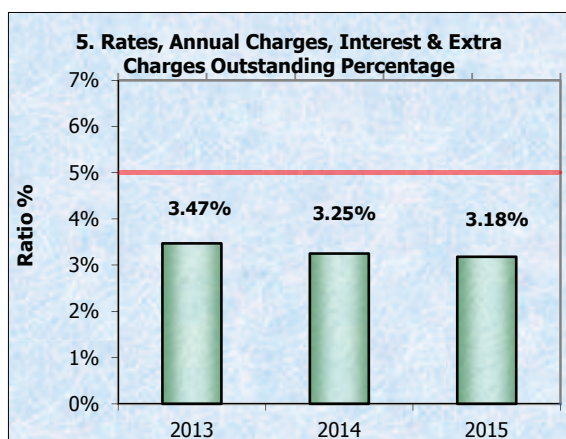
2014/15 Ratio 1.09x

The Debt Service Cover Ratio has been below the benchmark of 2x compared to previous years, mainly due to one off higher principal and interest repayments during the financial year.



Ratio is within Benchmark

Ratio is outside Benchmark



Benchmark: — Maximum $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Rates & Annual Charges Outstanding Ratio

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2014/15 Result

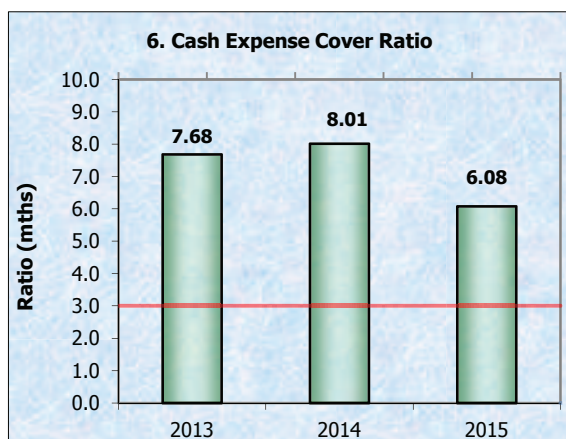
2014/15 Ratio 3.18%

The percentage of rates and annual charges that are unpaid at the end of the financial year is a measure of how well Council is managing debt recovery. Council's ratio of 3.18% is satisfactory and is better than benchmark of "less than 5%".



Ratio is within Benchmark

Ratio is outside Benchmark



Benchmark: — Minimum ≥ 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Cash Expense Cover Ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2014/15 Result

2014/15 Ratio 6.08 mths

Council's Cash Expense Cover Ratio is satisfactory and above benchmark of "greater than 3 months".



Ratio is within Benchmark

Ratio is outside Benchmark

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 14. Investment Properties

\$ '000

Council has not classified any Land or Buildings as "Investment Properties"

Note 15. Financial Risk Management

Risk Management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

| | Carrying Value | | Fair Value | |
|---|----------------|----------------|----------------|----------------|
| | 2015 | 2014 | 2015 | 2014 |
| Financial Assets | | | | |
| Cash and Cash Equivalents | 184 | - | 184 | - |
| Investments | | | | |
| - "Designated At Fair Value on Initial Recognition" | 13,833 | 9,957 | 13,833 | 9,957 |
| - "Held to Maturity" | 83,267 | 82,505 | 83,296 | 82,321 |
| Receivables | 8,231 | 7,996 | 8,231 | 7,996 |
| Total Financial Assets | 105,515 | 100,458 | 105,544 | 100,274 |
| Financial Liabilities | | | | |
| Bank Overdraft | - | 50 | - | 50 |
| Payables | 8,984 | 9,614 | 8,833 | 9,614 |
| Loans / Advances | 26,523 | 43,682 | 26,523 | 43,682 |
| Total Financial Liabilities | 35,507 | 53,346 | 35,356 | 53,346 |

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates market value
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) **"at fair value through profit & loss"** are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(a) Cash & Cash Equivalents, Financial assets 'at Fair value through the profit & loss' & "Held-to-maturity" Investments

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's Finance area manages the Cash and Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **Price Risk** - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest Rate Risk** - the risk that movements in interest rates could affect returns and income.
- **Credit Risk** - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

Council also seeks advice from independent advisors before placing any funds in Cash Equivalents & Investments.

The following represents a summary of the sensitivity of Council's Income Statement and Accumulated Surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

| | Increase of Values/Rates | | Decrease of Values/Rates | |
|--|--------------------------|--------|--------------------------|---------|
| | Profit | Equity | Profit | Equity |
| 2015 | | | | |
| Possible impact of a 10% movement in Market Values | 1,383 | 1,383 | (1,383) | (1,383) |
| Possible impact of a 1% movement in Interest Rates | 138 | 138 | (138) | (138) |
| 2014 | | | | |
| Possible impact of a 10% movement in Market Values | 996 | 996 | (996) | (996) |
| Possible impact of a 1% movement in Interest Rates | 100 | 100 | (100) | (100) |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

Council's major receivables comprise (i) Rates & Annual charges and (ii) User Charges & Fees.

The major risk associated with these receivables is credit risk - the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts - that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates & annual charges at higher than market rates which further encourages the payment of debt.

There are no material receivables that have been subject to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

| | | 2015 Rates & Annual Charges | 2015 Other Receivables | 2014 Rates & Annual Charges | 2014 Other Receivables |
|--|--------------------------|--------------------------------------|------------------------------|--------------------------------------|------------------------------|
| (i) Ageing of Receivables - % | | | | | |
| Current (not yet overdue) | | 100% | 84% | 100% | 86% |
| Overdue | | 0% | 16% | | 14% |
| | | 100% | 100% | 100% | 100% |
| | | Rates & Annual Charges | Other Receivables | Rates & Annual Charges | Other Receivables |
| (ii) Ageing of Receivables - value | | | | | |
| Rates & Annual Charges | Other Receivables | | | | |
| Current | Current | 2,272 | 5,064 | 2,200 | 5,036 |
| < 1 year overdue | 0 - 30 days overdue | - | 162 | - | 287 |
| 1 - 2 years overdue | 30 - 60 days overdue | - | 159 | - | 94 |
| 2 - 5 years overdue | 60 - 90 days overdue | - | 678 | - | 486 |
| | | 2,272 | 6,063 | 2,200 | 5,903 |
| (iii) Movement in Provision for Impairment of Receivables | | | | 2015 | 2014 |
| Balance at the beginning of the year | | | | 107 | 117 |
| - amounts already provided for and written off this year | | | | (3) | (10) |
| Balance at the end of the year | | | | 104 | 107 |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

Payables & Borrowings are both subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the maturity table below:

| \$ '000 | Subject to no maturity | payable in: | | | | | | Total Cash Outflows | Actual Carrying Values |
|-----------------------------|------------------------------|-------------|---------|---------|---------|---------|---------|---------------------------|------------------------------|
| | | ≤ 1 Year | 1-2 Yrs | 2-3 Yrs | 3-4 Yrs | 4-5 Yrs | > 5 Yrs | | |
| 2015 | | | | | | | | | |
| Bank Overdraft | - | - | - | - | - | - | - | - | - |
| Trade/Other Payables | 2,621 | 6,363 | - | - | - | - | - | 8,984 | 8,984 |
| Loans & Advances | - | 2,824 | 19,743 | 1,497 | 1,388 | 708 | 1,118 | 27,278 | 26,523 |
| Total Financial Liabilities | 2,621 | 9,187 | 19,743 | 1,497 | 1,388 | 708 | 1,118 | 36,262 | 35,507 |
| 2014 | | | | | | | | | |
| Bank Overdraft | 50 | - | - | - | - | - | - | 50 | 50 |
| Trade/Other Payables | 2,709 | 6,905 | - | - | - | - | - | 9,614 | 9,614 |
| Loans & Advances | - | 5,128 | 20,363 | 14,344 | 3,263 | 3,100 | 1,833 | 48,031 | 43,682 |
| Total Financial Liabilities | 2,759 | 12,033 | 20,363 | 14,344 | 3,263 | 3,100 | 1,833 | 57,695 | 53,346 |

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable
to Council's Borrowings at balance date:

| | 2015 | | 2014 | |
|---|-------------------|--------------------------|-------------------|--------------------------|
| | Carrying Value | Average Interest Rate | Carrying Value | Average Interest Rate |
| Bank Overdraft | - | | 50 | 16.9% |
| Trade/Other Payables | 8,984 | 5.0% | 9,614 | 5.0% |
| Loans & Advances - Fixed Interest Rate | 1,804 | 6.0% | 2,546 | 6.0% |
| Loans & Advances - Variable Interest Rate | 24,719 | 3.9% | 41,136 | 4.3% |
| | 35,507 | | 53,346 | |

Ku-ring-gai Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 2014/2015 was adopted by the Council on 24 June 2014.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act requires Council to review its Financial Budget on a Quarterly Basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This Note sets out the details of Material Variations between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

Note that for Variations of Budget to Actual :

Material Variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

| \$ '000 | 2015 Budget | 2015 Actual | 2015 Variance* | |
|---------|----------------|----------------|-------------------|--|
|---------|----------------|----------------|-------------------|--|

REVENUES

| | | | | | |
|--------------------------------|---------------|---------------|----------------|--------------|----------|
| User Charges & Fees | 15,700 | 13,683 | (2,017) | (13%) | U |
|--------------------------------|---------------|---------------|----------------|--------------|----------|

User Charges & Fees income is down compared to budget by \$2 million. This is primarily due to lower Restorations Income achieved resulting from private sector competition, delay in opening of the Ku-ring-gai Fitness & Aquatic Centre as well as the partial closure of the North Turramurra Golf Course due to on-site construction works.

| | | | | | |
|--|--------------|--------------|------------|------------|----------|
| Interest & Investment Revenue | 3,450 | 4,027 | 577 | 17% | F |
|--|--------------|--------------|------------|------------|----------|

The favourable variance in Interest income is mainly due to higher than forecast investment portfolio invested during the year and slightly higher interest rates than budgeted. Additional income compared to budget was also received from Interest on overdue rates.

| | | | | | |
|---|--------------|--------------|--------------|------------|----------|
| Operating Grants & Contributions | 6,090 | 7,728 | 1,638 | 27% | F |
|---|--------------|--------------|--------------|------------|----------|

The favourable variance of \$1.6 million in Operating Grants & Contributions is primarily due to the reclassification of Roads to Recovery actual grants as operational. Roads to Recovery grants are not specifically given to Council for Capital purposes, therefore, are treated and disclosed as Operational Grants. Other additional grants and contributions for specific projects were also received during the year.

| | | | | | |
|---|---------------|--------------|----------------|--------------|----------|
| Capital Grants & Contributions | 17,110 | 9,126 | (7,984) | (47%) | U |
|---|---------------|--------------|----------------|--------------|----------|

Capital Grants & Contributions is down compared to budget by \$8 million mainly due to lower than anticipated section 94 income received.

| | | | | | |
|--|--------------|---------------|--------------|-------------|----------|
| Net Gains from Disposal of Assets | 4,302 | 12,852 | 8,550 | 199% | F |
|--|--------------|---------------|--------------|-------------|----------|

Net Gain from Disposal of Assets is higher than budget primarily due to the timing variance of the sale of Culworth Avenue carpark brought forward from 2015/16 and the book value of B2 Land Sales being less than forecast.

EXPENSES

| | | | | | |
|------------------------|--------------|--------------|------------|------------|----------|
| Borrowing Costs | 2,091 | 1,562 | 529 | 25% | F |
|------------------------|--------------|--------------|------------|------------|----------|

The favourable variance of \$530k in borrowing costs is mainly due to lower outstanding loan balance during the year as a result of an early loan repayment. A voluntary loan repayment was made to partially discharge the loan associated with Council's Administration Building from additional proceeds from sale of Culworth Avenue car park.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are "restricted" in their future use.

SUMMARY OF CONTRIBUTIONS & LEVIES

| PURPOSE | Opening Balance | Contributions received during the Year | | Interest earned in Year | Expenditure during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Projections | | | Cumulative Internal Borrowings due/(payable) |
|---|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|----------------|-----------------------|-------------------------|--|
| | | Cash | Non Cash | | | | | Future income | Exp still outstanding | Over or (under) Funding | |
| Roads | (7,566) | 781 | - | - | - | - | (6,785) | 8,773 | (1,988) | - | - |
| Traffic Facilities | 9,153 | 1,944 | - | 354 | (549) | - | 10,902 | 60,012 | (70,914) | - | - |
| Parking | 1,524 | - | - | 48 | (736) | - | 836 | - | (836) | - | - |
| Open Space | 51,453 | 4,272 | - | 1,896 | (3,739) | - | 53,882 | 326,396 | (380,278) | - | - |
| Community Facilities | 5,822 | 674 | - | 233 | (547) | - | 6,182 | 12,021 | (18,203) | - | - |
| Other | 122 | 2 | - | 6 | - | - | 130 | 216 | (346) | - | - |
| S94 Contributions - under a Plan | 60,508 | 7,673 | - | 2,537 | (5,571) | - | 65,147 | 407,418 | (472,565) | - | - |
| Total S94 Revenue Under Plans | 60,508 | 7,673 | - | 2,537 | (5,571) | - | 65,147 | | | | - |
| Total Contributions | 60,508 | 7,673 | - | 2,537 | (5,571) | - | 65,147 | 407,418 | (472,565) | - | - |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - 1993 Plan

| PURPOSE | Opening Balance | Contributions received during the Year | | Interest earned in Year | Expenditure during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Projections | | | Cumulative Internal Borrowings due/(payable) |
|----------------------|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
| | | Cash | Non Cash | | | | | Future income | Exp still outstanding | Over or (under) Funding | |
| Parking | 1,524 | | | 48 | (736) | | 836 | | (836) | - | |
| Community Facilities | 245 | | | 9 | (35) | | 219 | | (219) | - | |
| Total | 1,769 | - | - | 57 | (771) | - | 1,055 | - | (1,055) | - | - |

CONTRIBUTION PLAN - 2000 to 2003 Residential Plan

| PURPOSE | Opening Balance | Contributions received during the Year | | Interest earned in Year | Expenditure during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Projections | | | Cumulative Internal Borrowings due/(payable) |
|----------------------|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
| | | Cash | Non Cash | | | | | Future income | Exp still outstanding | Over or (under) Funding | |
| Open Space | 1,372 | | | 56 | (14) | | 1,414 | | (1,414) | - | |
| Community Facilities | 615 | | | 25 | | | 640 | | (640) | - | |
| Total | 1,987 | - | - | 81 | (14) | - | 2,054 | - | (2,054) | - | - |

CONTRIBUTION PLAN - 2004/2009 Residential Plan

| PURPOSE | Opening Balance | Contributions received during the Year | | Interest earned in Year | Expenditure during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Projections | | | Cumulative Internal Borrowings due/(payable) |
|----------------------|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
| | | Cash | Non Cash | | | | | Future income | Exp still outstanding | Over or (under) Funding | |
| Open Space | 6,650 | 14 | | 231 | (2,080) | | 4,815 | | (4,815) | - | |
| Community Facilities | 3,060 | 7 | | 125 | (62) | | 3,130 | | (3,130) | - | |
| Other | 134 | | | 6 | | | 140 | | (140) | - | |
| Total | 9,844 | 21 | - | 362 | (2,142) | - | 8,085 | - | (8,085) | - | - |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - 2010 Plan

| CONTRIBUTION PLAN - 2010 Plan | | | | | | | | | | | |
|-------------------------------|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|-----------------------------------|
| PURPOSE | Opening Balance | Contributions received during the Year | | Interest earned in Year | Expenditure during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Projections | | | Cumulative |
| | | Cash | Non Cash | | | | | Future income | Exp still outstanding | Over or (under) Funding | |
| Roads | (7,566) | 781 | | | - | | (6,785) | 8,773 | (1,988) | - | Internal Borrowings due/(payable) |
| Traffic Facilities | 9,153 | 1,944 | | 354 | (549) | | 10,902 | 60,012 | (70,914) | - | |
| Open Space | 43,104 | 4,258 | | 1,596 | (1,645) | | 47,313 | 326,396 | (373,709) | - | |
| Community Facilities | 1,902 | 667 | | 74 | (450) | | 2,193 | 12,021 | (14,214) | - | |
| Other | (12) | 2 | | | | | (10) | 216 | (206) | - | |
| Total | 46,581 | 7,652 | - | 2,024 | (2,644) | - | 53,613 | 407,418 | (461,031) | - | - |

CONTRIBUTION PLAN - Ku-ring-gai SEPP 5 Plan

| CONTRIBUTION PLAN - Ku-ring-gai SEPP 5 Plan | | | | | | | | | | | |
|---|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|------------|
| PURPOSE | Opening Balance | Contributions received during the Year | | Interest earned in Year | Expenditure during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Projections | | | Cumulative |
| | | Cash | Non Cash | | | | | Future income | Exp still outstanding | Over or (under) Funding | |
| Open Space | 327 | | | 13 | | | 340 | | (340) | - | |
| Total | 327 | - | - | 13 | - | - | 340 | - | (340) | - | - |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's Financial Report.

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

Member Councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make higher contributions in future years.

The Scheme has estimated that as at 30 June 2015 a deficit still exists. Effective from 1 July 2009, employers are required to contribute additional contributions in order to rectify this deficit.

The share of this deficit that can be broadly attributed to Council was estimated to be in the order of \$408,696 as at 30 June 2015.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to Local Government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Councils contributions to the pool and the result of insurance claims within each of the Fund Years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the Company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

(iv) Other Guarantees

Council has provided no other Guarantees other than those listed above.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its Insurance Coverage and does not expect any material liabilities to eventuate.

(ii) S94 Plans

Council levies Section 94 Contributions upon various development across the Council area through the required Contributions Plans.

As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Council's intention to spend funds in the manner and timing set out in those Plans.

(iii) Potential Land Acquisitions due to Planning Restrictions imposed by Council

Council has zoned a number of privately owned land parcels as RE1 Local Open Space or SP2 Local Road.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (& subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to and including 30/6/08.

(ii) Infringement Notices/Fines

Fines and Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the State Debt Recovery Office.

Council's Revenue Recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

Due to the limited information available on the status, value and duration of outstanding Notices, Council is unable to determine the value of outstanding income.

Ku-ring-gai Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 19. Interests in Other Entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of Council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled Entities (Subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint Ventures & Associates

Note 19(b)

Joint Ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint Operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated Structured Entities

Note 19(d)

Unconsolidated Structured Entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a Subsidiary, Joint Arrangement or Associate. Attributes of Structured Entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, Joint Arrangements and Associates not recognised

Note 19(e)

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(a) Controlled Entities (Subsidiaries) - being entities & operations controlled by Council

Council has no interest in any Controlled Entities (Subsidiaries).

(b) Joint Ventures and Associates

Council has no interest in any Joint Ventures or Associates.

(c) Joint Operations

(a) Council is involved in the following Joint Operations (JO's)

| Name of Joint Operation | Principal Activity | Place of Business | Interest in Ownership | | Interest in Voting | |
|-------------------------|--|-------------------|-----------------------|------|--------------------|------|
| | | | 2015 | 2014 | 2015 | 2014 |
| B2 Land Subdivision | Joint Operation with the Office of Strategic Lands, NSW Environment and Planning, the joint development and sale of 26 lots housing subdivision. | South Turramurra | 54% | 54% | 50% | 50% |

(b) Council Assets employed in the Joint Operations

Council's own assets employed in the Operations

Current Assets:

| | | |
|--------------|-------|-------|
| Receivables | - | - |
| Inventories | - | - |
| Other Assets | 1,040 | 7,290 |

Non-Current Assets

| | | |
|-----------------------------|---|---|
| Property, Plant & Equipment | - | - |
|-----------------------------|---|---|

Total Assets - Council Owned

1,040 7,290

Council's share of assets jointly owned with other partners

| | | |
|---------------------|------|-------|
| Current Assets | 16 | 188 |
| Current Liabilities | (12) | (243) |

Total Net Assets Employed - Council & Jointly Owned

1,044 7,235

(d) Unconsolidated Structured Entities

Council has no Unconsolidated Structured Entities

(e) Subsidiaries, Joint Arrangements & Associates not recognised

None.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 20. Equity - Retained Earnings and Revaluation Reserves

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|---|--------|-----------------------|-----------------------|
| (a) Retained Earnings | | | |
| Movements in Retained Earnings were as follows: | | | |
| Balance at beginning of Year (from previous years audited accounts) | | 704,772 | 668,370 |
| a. Correction of Prior Period Errors | 20 (c) | (1,433) | 18,928 |
| b. Net Operating Result for the Year | | 22,586 | 16,041 |
| Balance at End of the Reporting Period | | <u>725,925</u> | <u>703,339</u> |
| (b) Reserves | | | |
| (i) Reserves are represented by: | | | |
| - Infrastructure, Property, Plant & Equipment Revaluation Reserve | | 411,081 | 317,488 |
| Total | | <u>411,081</u> | <u>317,488</u> |
| (ii) Reconciliation of movements in Reserves: | | | |
| Infrastructure, Property, Plant & Equipment Revaluation Reserve | | | |
| - Opening Balance | | 317,488 | 315,618 |
| - Revaluations for the year (Infrastructure & Drainage Assets) | 9(a) | 93,593 | 1,870 |
| - Balance at End of Year | | <u>411,081</u> | <u>317,488</u> |
| TOTAL VALUE OF RESERVES | | <u>411,081</u> | <u>317,488</u> |
| (iii) Nature & Purpose of Reserves | | | |
| Infrastructure, Property, Plant & Equipment Revaluation Reserve | | | |
| - The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation. | | | |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (c) Correction of Error/s relating to a Previous Reporting Period | | | |
| Correction of errors disclosed in this year's financial statements: | | | |
| During 2013/14 Council received reimbursement of expenses from the NSW Department of Planning for works undertaken as part of the Joint Operation for B2 land subdivision. This reimbursement was treated as contribution and accounted for as income in the Income Statement, rather than offset against expenditure. As a result, Council's held for sale assets relating to B2 were overstated due to projects gross expenditure being capitalised. | | | |
| To correct this error, the following adjustments have been made: | | | |
| - Assets held for sale | | (1,456) | |
| - Retained Earnings | | 1,456 | |
| Minor adjustment to Council's Assets Register | | | |
| As part of an Assets review performed last year, an immaterial discrepancy was identified between the Financial Assets Register and the General ledger which was carried forward from previous financial years. This discrepancy was rectified to Retained Earnings at the end of financial year. | | | |
| | | 23 | |
| Correction of errors as disclosed in last year's financial statements: | | | |
| As part of the implementation of a new Enterprise Asset Management system and an audit of all assets in the Recreational Facility category, Council brought to account assets under Council's care and control not previously recognised. | | | |
| Council did not have sufficient and reliable information that would allow the reinstatement of information prior to 30/6/13 (the closing date for the comparative figures in last year's report). | | | |
| As a result, Council adjusted the asset base and retained earnings below as at 30/6/13 to reflect the correct value of assets | | | |
| - Assets at cost | | | 55,048 |
| - Accumulated depreciation | | | (34,708) |
| Recreational Facility Assets (increase) to asset base | | | 20,340 |

Council recognised assets as "held for sale " for B2 land sub division, which were depreciated in the Financial Asset Register. The depreciation on these assets has been reversed and an adjustment made to equity.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (c) Correction of Error/s relating to a Previous Reporting Period (continued) | | | |
| In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively. | | | |
| These amounted to the following Equity Adjustments: | | | |
| - Adjustments to Opening Equity - 1/7/13 (relating to adjustments for the 30/6/13 reporting year end and prior periods) | | (1,433) | 20,361 |
| - Adjustments to Closing Equity - 30/6/14 (relating to adjustments for the 30/6/14 year end) | | - | - |
| Total Prior Period Adjustments - Prior Period Errors | | (1,433) | 20,361 |

(d) Voluntary Changes in Accounting Policies

Council made no voluntary changes in any accounting policies during the year.

Note 21. Financial Result & Financial Position by Fund

Council utilises only a General Fund for its operations.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 22. "Held for Sale" Non Current Assets & Disposal Groups

| \$ '000 | 2015 | 2015 | 2014 | 2014 |
|---|--------------|-------------|--------------|-------------|
| | Current | Non Current | Current | Non Current |
| (i) Non Current Assets | | | | |
| Non Current Assets "Held for Sale" | | | | |
| Land | 1,040 | - | 5,003 | - |
| Land Improvements | - | - | 2,287 | - |
| Total Non Current Assets "Held for Sale" | 1,040 | - | 7,290 | - |
| TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE" | 1,040 | - | 7,290 | - |

(ii) Details of Assets

Council owns assets (land/land improvements) which are part of the development of 26 lot residential land subdivision combining Council's surplus land holdings at South Turramurra with the NSW Department of Planning and Infrastructure residue land from the abandoned B2 Freeway link. The site, owned jointly by Council and the NSW Department of Planning was previously part of the planned B2 road corridor to link the F3 and M2 motorways.

Construction and development of the site is complete, lots in the subdivision were offered for sale during 2014/15 (settlement of two lots is due to be finalised by end of December 2015). Funds received from the sale were used to discharge Council's debt.

| \$ '000 | Assets "Held for Sale" | |
|---|------------------------|--------------|
| | 2015 | 2014 |
| (iii) Reconciliation of Non Current Assets "Held for Sale" | | |
| Opening Balance | 7,290 | - |
| less: Carrying Value of Assets/Operations Sold | (5,830) | - |
| Balance still unsold after 12 months: | 1,460 | - |
| plus New Transfers in: | | |
| - Assets "Held for Sale" | (420) | 7,290 |
| Closing Balance of "Held for Sale" | 1,040 | 7,290 |
| Non Current Assets & Operations | 1,040 | 7,290 |

Refer to Note 27 - Fair Value Measurement for fair value measurement information.

Ku-ring-gai Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 23. Events occurring after the Reporting Date

\$ '000

Events that occur between the end of the reporting period (ending 30 June 2015) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 08/09/2015.

Events that occur after the Reporting Period represent one of two types:

(i) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2015.

(ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2015 and which are only indicative of conditions that arose after 30 June 2015.

Council is unaware of any material or significant "non-adjusting events" that should be disclosed.

NSW State Government Review of Local Government

The NSW State Government is undertaking a review of the performance and sustainability of local government through its Fit for the Future (FFTF) initiative. Under FFTF Councils need to demonstrate how they will become sustainable, provide effective and efficient services, and have the scale and capacity needed to meet the needs of communities.

Councils are being asked to consider merging to reduce the number of councils in NSW and the State Government's preferred option for Ku-ring-gai Council is a merger with Hornsby Shire Council. Ku-ring-gai Council was asked to prepare a Merger Proposal or alternatively to demonstrate via a Council Improvement Proposal how it will be Fit for the Future by remaining standing alone.

Council resolved to stand-alone and on 23 June 2015 endorsed a Council Improvement Proposal to meet all of the Fit for the Future criteria within the required timeframes. The State Government has appointed IPART to assess the proposals and will report back to the Minister by October 2015.

As at 8 September 2015 Council is unable to determine the impact that the FFTF findings may have on Council and the financial statements.

Note 24. Discontinued Operations

Council has not classified any of its Operations as "Discontinued".

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 25. Intangible Assets

| \$ '000 | Actual 2015 | Actual 2014 |
|---|----------------|----------------|
| Intangible Assets represent identifiable non-monetary asset without physical substance. | | |
| Intangible Assets are as follows; | | |
| Opening Values: | | |
| Gross Book Value (1/7/14) | 1,203 | 1,048 |
| Accumulated Amortisation (1/7/14) | (427) | (198) |
| Accumulated Impairment (1/7/14) | - | - |
| Net Book Value - Opening Balance | 776 | 850 |
| Movements for the year | | |
| - Purchases | 136 | 155 |
| - Amortisation charges | (266) | (229) |
| Closing Values: | | |
| Gross Book Value (30/6/15) | 1,339 | 1,203 |
| Accumulated Amortisation (30/6/15) | (693) | (427) |
| Accumulated Impairment (30/6/15) | - | - |
| TOTAL INTANGIBLE ASSETS - NET BOOK VALUE 1 | 646 | 776 |
| 1. The Net Book Value of Intangible Assets represent: | | |
| - Software | 646 | 776 |
| | 646 | 776 |

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, Property, Plant and Equipment
- Investment Property
- Financial Assets & Liabilities

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) The following table presents all assets and liabilities that have been measured & recognised at fair values:

| Fair Value Measurements | | Fair Value Measurement Hierarchy | | | Total |
|--|--------------------------|---|--|--|---------------|
| 2015 | Date of latest Valuation | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs | |
| Recurring Fair Value Measurements | | | | | |
| Financial Assets | | | | | |
| Investments | | | | | |
| - "Designated At Fair Value on Initial Recognition" | 30/06/15 | - | - | 13,833 | 13,833 |
| Total Financial Assets | | - | - | 13,833 | 13,833 |
| Infrastructure, Property, Plant & Equipment | | | | | |
| Operational Land | 30/06/13 | - | - | 52,632 | 52,632 |
| Community Land | 30/06/11 | - | - | 326,775 | 326,775 |
| Land Under Roads | 30/06/14 | - | - | 66 | 66 |
| Land Improvements Depreciable | 30/06/11 | - | - | 16,930 | 16,930 |
| Stormwater Drainage | 30/06/15 | - | - | 163,119 | 163,119 |
| Structure (Car Parks) | 30/06/15 | - | - | 7,901 | 7,901 |
| Buildings - Non Specialised | 30/06/13 | - | - | 66,280 | 66,280 |
| Buildings - Specialised | 30/06/13 | - | - | 10,832 | 10,832 |
| Furniture & Fittings | 30/06/15 | - | - | 214 | 214 |
| Library Books | 30/06/15 | - | - | 2,739 | 2,739 |
| Office Equipment | 30/06/15 | - | - | 1,164 | 1,164 |
| Plant & Equipment (e.g. Fleet & Small Plant) | 30/06/15 | - | - | 6,030 | 6,030 |
| Other (Artworks, Sculptures) | 30/06/11 | - | - | 536 | 536 |
| Roads | 30/06/15 | - | - | 233,162 | 233,162 |
| Bridges | 30/06/15 | - | - | 6,549 | 6,549 |
| Footpaths | 30/06/15 | - | - | 31,347 | 31,347 |
| Kerb & Gutter | 30/06/15 | - | - | 69,303 | 69,303 |

continued on next page

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

| | | | | | |
|--|----------|----------|----------|------------------|------------------|
| Road Structure & Street Furniture | 30/06/15 | - | - | 5,948 | 5,948 |
| Recreational Facilities | 30/06/11 | - | - | 46,098 | 46,098 |
| Swimming Pools | 30/06/13 | - | - | 19,888 | 19,888 |
| Total Infrastructure, Property, Plant & Equipment | | - | - | 1,067,513 | 1,067,513 |
| Non-recurring Fair Value Measurements | | | | | |
| Non Current Assets classified as "Held for Sale" | | | | | |
| Community Land | 30/06/11 | - | - | 1,040 | 1,040 |
| Total NCA's classified as "Held for Sale" | | - | - | 1,040 | 1,040 |

| | | Fair Value Measurement Hierarchy | | | Total |
|--|--------------------------|---|-------------------------------|---------------------------------|----------------|
| | | Level 1 | Level 2 | Level 3 | |
| | | Quoted prices in active mkts | Significant observable inputs | Significant unobservable inputs | |
| 2014 | Date of latest Valuation | | | | |
| Recurring Fair Value Measurements | | | | | |
| Financial Assets | | | | | |
| Investments | | | | | |
| - "Designated At Fair Value on Initial Recognition" | 30/06/14 | | | 9,957 | 9,957 |
| Total Financial Assets | | - | - | 9,957 | 9,957 |
| Infrastructure, Property, Plant & Equipment | | | | | |
| Operational Land | 30/06/13 | - | - | 52,933 | 52,933 |
| Community Land | 30/06/11 | - | - | 328,350 | 328,350 |
| Land Under Roads | 30/06/14 | - | - | 66 | 66 |
| Land Improvements Depreciable | 30/06/11 | - | - | 13,084 | 13,084 |
| Stormwater Drainage | 30/06/10 | - | - | 136,183 | 136,183 |
| Structure (Car Parks) | 30/06/13 | - | - | 1,197 | 1,197 |
| Buildings - Non Specialised | 30/06/13 | - | - | 67,390 | 67,390 |
| Buildings - Specialised | 30/06/13 | - | - | 11,275 | 11,275 |
| Furniture & Fittings | 30/06/14 | - | - | 165 | 165 |
| Library Books | 30/06/14 | - | - | 2,655 | 2,655 |
| Office Equipment | 30/06/14 | - | - | 853 | 853 |
| Plant & Equipment (e.g. Fleet & Small Plant) | 30/06/14 | - | - | 6,241 | 6,241 |
| Other (Artworks, Sculptures) | 30/06/11 | - | - | 582 | 582 |
| Roads | 30/06/10 | - | - | 215,217 | 215,217 |
| Bridges | 30/06/10 | - | - | 5,911 | 5,911 |
| Footpaths | 30/06/10 | - | - | 21,218 | 21,218 |
| Kerb & Gutter | 30/06/10 | - | - | 35,571 | 35,571 |
| Road Structure & Street Furniture | 30/06/10 | - | - | 5,646 | 5,646 |
| Recreational Facilities | 30/06/11 | - | - | 47,591 | 47,591 |
| Swimming Pool | 30/06/13 | - | - | 17,479 | 17,479 |
| Total Infrastructure, Property, Plant & Equipment | | - | - | 969,607 | 969,607 |
| Non-recurring Fair Value Measurements | | | | | |
| Non Current Assets classified as "Held for Sale" | | | | | |
| Land Operational | 30/06/13 | - | - | 3,220 | 3,220 |
| Land Improvements | 30/06/11 | - | - | 2,287 | 2,287 |
| Community Land | 30/06/11 | - | - | 1,783 | 1,783 |
| Total NCA's classified as "Held for Sale" | | - | - | 7,290 | 7,290 |

Ku-ring-gai Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

During the year, there were no transfers between Level 1 and Level 2 Fair Value hierarchies for recurring fair value measurements.

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (ie. Level 1 inputs) Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Financial Assets

Investments - At fair value through profit or loss are represented by short term deposits. Council obtains its valuation from banks and the Investment Advisor on a monthly basis, and ensures that these valuations are reflected in the Investment Report to Council. The best evidence of fair value is the current price in an active market for similar assets. These assets are placed in Level 3 assets as there is no quoted market for them. Valuation techniques remained the same for this reporting period.

Infrastructure, Property, Plant & Equipment

Community Land

Assets within the "Community Land" class are:

- Council owned land and
- Care Control Management land [Crown] of which Council derives current and future economic benefits arising from the use of the land asset.

Council's community land is valued on the Unimproved Capital Value (UCV), provided by the Valuer General. Currently all Council assets in this asset class are based on UCV, however, should Council have an asset in future for which an UCV is not provided, the replacement cost will be used. Replacement cost will be based on average unit rates for similar properties, land use, dimensions, land size and shape, which are not considered observable based on market evidence, therefore, placing the whole asset class in Level 3. Valuation techniques remained the same for this reporting period.

Operational Land

Council's operational land includes all of Council's land classified as operational land under Local Government Act 1993. The total area of land at the time of the last valuation was 42,713m². Council's operational land is valued on an annual basis with a comprehensive valuation completed and revalued every five years. Liquid Pacific Holdings Pty Ltd completed the last valuation in June 2013. Council's operational land was valued at market value (highest and best use) after identifying all elements that would be taken into account by buyers and sellers in setting the price, including but not limited to zoning, topography, location, size, shape, access, exposure to traffic and businesses. Remaining useful life, condition of asset, future cash flow from the use of asset are also considered when determining the fair value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Ku-ring-gai Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

Land Under Roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment and Council recognised this asset for the first time in financial year 2010/11. One location was included in the valuation. The Land under Roads was valued in accordance with the Australian Accounting Standard AASB 116 Property, Plant and Equipment, the Code of Accounting Practice and Financial Reporting June 2014, and completed by Council's Strategic Asset Coordinator. Values were determined using the Englobo methodology derived from the Code of Accounting Practice and Financial Reporting. This asset class is classified as Level 3 asset as significant inputs used in the Englobo valuation methodology are unobservable. Valuation techniques remained the same for this reporting period.

Land Improvements Depreciable

The land improvements asset class consists of bus shelters, North Turramurra Recreation Area assets and land improvement assets surrounding Council buildings. Council values these land improvements internally using cost approach. Replacement costs (unit rates) and useful lives of Council's land improvement assets were determined using technical knowledge from council staff (engineers and asset management) and contractor information. Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, pattern of consumption, dimensions and residual value. The condition of each asset was determined by completing field inspections using the ratings 1 (Excellent) to 5 (Very Poor). This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Stormwater Drainage

The Stormwater Drainage asset class consists of Council's pits and pipes. Council staff completed the valuation of these assets internally using replacement cost approach and the last valuation was completed in June 2015.

Replacement costs (unit rates) and useful lives for Stormwater Drainage assets were determined through a combination of historic subdivision data and technical knowledge of Council staff, which incorporated standard unit rates applied to the dimensions of the asset and considered environmental factors based on asset location. Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, pattern of consumption, and residual value. The asset condition of 1 (Excellent) to 5 (Very Poor) was determined by assumptions based on age and CCTV investigations undertaken across a representative selection of Council's drainage network. This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Ku-ring-gai Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

Other Structure

Council's car park assets are separated into two registers: the car park surface and pavement register and the car park structures register which consists of all road structures and furniture within the car park location. Replacement costs (unit rate) were determined using technical knowledge from council staff (engineers and asset management) and contractor information. The useful lives were determined using SSROC useful life as a guide. Other significant inputs considered in the valuation of these assets are condition rating, remaining useful life, pattern of consumption, dimensions, components and residual value.

The condition of each asset was determined by completing field inspections using the 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Buildings - Non specialised and Specialised

Council engaged Liquid Pacific Holdings Pty Ltd to value all buildings and shelters in 2013. The valuation methodology adopted was dependent on whether a market exists to substantiate the value of the asset. Council's buildings are separated into commercial, community and operational assets.

Non Specialised Buildings

The market sale approach to the valuation of assets comprises reference to market evidence of the sale of the identical and or similar assets. The valuation aspects are generally, but not limited to the location, size, condition, style and utility of the asset. Replacement cost, asset condition, remaining useful life and building components are some of the inputs used in fair value determination. Since most of these inputs require judgement and are unobservable, the asset class has been classified as Level 3. Valuation techniques remained the same for this reporting period.

Specialised Buildings

The market buying approach is estimated by the sum of the current market prices for one or more purchase transactions required to reproduce or replace the asset, less accumulated depreciation. In determining the current cost of a specialised asset, reference is made to the cost of replacing the assets service potential and in doing so the Modern Equivalent Replacement Cost (MERC) is adopted. The other significant inputs considered in the valuation are remaining useful life of the asset, condition, pattern of consumption and residual value.

In 2012/13 financial year Council completed construction of Council's Depot at Suakin Street, Pymble which was classified as a specialised building.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Ku-ring-gai Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

Roads

Council's roads are componentised into the pavement, surface and formation and further separated into segments for inspection and valuation. The full revaluation of road assets is undertaken on a 5 year cycle. The valuation, which is completed by Council's Asset and Pavement Engineers, was completed in June 2015. The Cost approach was adopted to value Council roads. The replacement costs (based on unit rates), useful lives and conditions were determined by extracting technical information contained in Council's pavement management system [SMEC] and the updated road condition spread sheet provided by the Asset and Pavement Engineer (based on invoices and contracts) and useful lives were reviewed based on SSROC guide. This year all the road assets data stored in the Pavement Management System SMEC has been imported into the new corporate system. The Roads due for renewal are assessed by the pavement engineer and the entire road network is assessed by a Independent consultant (every 2-3 years). The last independent assessment was completed in 2013. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, inspections and pattern of consumption, dimensions, components, residual value and type of road. A pavement condition index (PCI) is used in SMEC and determined by field. This PCI is converted into road technical ratings condition 1 (Excellent) to 5 (Very Poor). This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Bridges

Council's bridges register consists of all pedestrian and vehicle access bridges. The bridges were inspected and valued by an independent consultant (Asset Val) in June 2015. In order to apply fair valuation and condition based depreciation, the following information was determined by the consultant for each component:

- The replacement cost was based on the cost to replace a component to a current day equivalent. Published available market data for recent projects and published cost guides are utilised to determine the estimated replacement cost.
- The useful life and remaining useful life - Where the site inspections were done, a condition assessment was allocated to all the assets and that was used to estimate useful and remaining useful life of an asset.
- Condition assessment - is based on factors such as age of the asset, overall condition, economic & functional obsolescence.
- Residual value – The estimated amount that an entity would currently obtain from disposal of the asset
- Pattern of Consumption – straight line pattern of consumption

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Footpaths

Council's footpath register consists of all pedestrian walkways and cycleways within the Council area. Council staff completed the valuation of the Footpath assets internally and the valuation was completed in June 2015. Replacement costs (unit rates) and useful lives of Council's footpaths were determined using technical knowledge and Contractor information. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

The condition of each asset was determined using the ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Ku-ring-gai Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

Kerb & Gutter

Council's kerb and gutter register consists of all kerb and gutter within Council's road network. Council staff performed the valuation of the assets internally and the valuation was completed in June 2015.

Replacement costs (unit rates) and useful lives of Council's kerb and gutter were determined using technical knowledge, Contractor information and SSROC Guide. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

The condition of each asset was determined using the ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Road Structure and Street Furniture

The Road Structures and Street Furniture register comprises of all structures (traffic islands, guardrails) and furniture (bollards, signs) within Council's road network. Council staff completed the valuation of the assets internally and the valuation was completed in June 2015. Replacement costs (unit rates) and useful lives of Council's road structures and street furniture were determined using technical knowledge from Council staff (engineers and asset management), Contractor information, current invoices and SSROC guide. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

The condition of each asset was determined using the ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Open Space / Recreational Assets

Council's recreational facilities register includes all assets within our sports fields, bushland and park locations. This includes but is not limited to ovals, playing courts, playgrounds, fences and fire trails. Council staff completes the valuation of these assets internally. Replacement costs (unit rates) and useful lives of Council's recreational facilities were determined using technical knowledge from Council staff (engineers and asset management) and Contractor information. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

The condition of these assets was determined by field inspections using the ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

Swimming Pool

The swimming pool includes all assets located within the facility.

Liquid Pacific Pty Ltd valued the building components of the swimming pool in June 2013 as part of the building revaluation and other substantial components of the pool are valued using replacement cost method. Replacement costs were determined using square metre rates and other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, components, dimensions and residual value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period

Plant & Equipment, Office Equipment, and Furniture & Fittings

This asset category includes:

Plant & Equipment – Motor vehicles, trucks, mowers, buses, earthmoving equipment

Office Equipment – Computer equipment

Furniture & Fittings – Chairs, desks, cabinets, display systems

These assets are valued at cost in Council's books and reported at Fair value in the notes due to the nature of the items. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market therefore placing these assets in Level 3. Valuation techniques remained the same for this reporting period.

Library Books

This asset category comprises of assets such as library books, journals, magazines, CDs and DVDs.

The library books are reported at Fair value in the notes however, due to the nature of these items they are valued at cost. There are no major variances between the fair value and carrying amount of these assets. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market making it a Level 3 asset. Valuation techniques remain the same for this reporting period.

Others (Artwork, Sculptures)

Council engaged McWilliam and Associates Pty Ltd to value all artwork, memorabilia and monuments in June 2011. This information was updated into Council's public art register.

The valuation was completed using the replacement cost approach and market value in accordance with AASB 116.

The replacement value for artworks and memorabilia was determined by the price at which the items could be purchased from a reputable dealer, gallery or retail outlet.

The replacement value for monuments was determined as the cost of replacing an asset with a similar object in a condition equal to, but not better than its condition when new. An estimate of associated costs including consultancy and site management is included in the determination of the replacement value.

Where the fair value of an asset could not be determined by sale on the open market, a depreciable replacement cost has been adopted. Other significant inputs considered in the valuation are the condition of the asset, pattern of consumption and remaining useful life. This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3)

a. The following tables present the changes in Level 3 Fair Value Asset Classes.

| | Community Land | Land Under Roads | Land Improvements Depreciable | Stormwater Drainage | Total |
|---|-------------------|------------------------|-------------------------------------|------------------------|----------------|
| Opening Balance - 1/7/13 | - | - | - | - | - |
| Adoption of AASB 13 | 330,796 | 58 | 35,321 | 138,279 | 504,454 |
| Transfers from/(to) another asset class | (2,446) | - | (31,350) | - | (33,796) |
| Purchases (GBV) | - | - | 10,413 | 297 | 10,710 |
| Depreciation & Impairment | - | - | (1,300) | (2,393) | (3,693) |
| Reval Inc\ Dec to Equity (ARR) | - | 8 | - | - | 8 |
| Closing Balance - 30/6/14 | 328,350 | 66 | 13,084 | 136,183 | 477,683 |
| Transfers from/(to) another asset class | (147) | - | 646 | - | 499 |
| Purchases (GBV) | - | - | 3,651 | 1,205 | 4,856 |
| Disposals (WDV) | (1,428) | - | - | - | (1,428) |
| Depreciation & Impairment | - | - | (451) | (2,396) | (2,847) |
| Reval Inc\ Dec to Equity (ARR) | - | - | - | 28,127 | 28,127 |
| Closing Balance - 30/6/15 | 326,775 | 66 | 16,930 | 163,119 | 506,890 |

| | Structure (Car Parks) | Buildings Specialised | Other (Artworks, Sculptures) | Roads | Total |
|---|--------------------------|--------------------------|------------------------------------|----------------|----------------|
| Opening Balance - 1/7/13 | - | - | - | - | - |
| Adoption of AASB 13 | 1,196 | 11,454 | 636 | 211,398 | 224,684 |
| Transfers from/(to) another asset class | - | - | 7 | (225) | (218) |
| Purchases (GBV) | 17 | 259 | - | 8,284 | 8,560 |
| Depreciation & Impairment | (16) | (438) | (54) | (4,465) | (4,973) |
| Closing Balance - 30/6/14 | 1,197 | 11,275 | 589 | 214,992 | 228,053 |
| Transfers from/(to) another asset class | 207 | - | - | - | 207 |
| Purchases (GBV) | - | - | - | 9,555 | 9,555 |
| Depreciation & Impairment | (31) | (442) | (53) | (4,667) | (5,193) |
| Reval Inc / Dec to Equity (ARR) | 6,528 | - | - | 15,349 | 21,877 |
| Transfer from WIP | - | - | - | 92 | 92 |
| Closing Balance - 30/6/15 | 7,901 | 10,833 | 536 | 235,321 | 254,591 |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

a. The following tables present the changes in Level 3 Fair Value Asset Classes. (continued)

| | Bridges | Footpaths | Kerb & Gutter | Road Structure & Street Furniture | Total |
|---|--------------|---------------|---------------------|---|----------------|
| Opening Balance - 1/7/13 | - | - | - | - | - |
| Adoption of AASB 13 | 6,074 | 21,572 | 37,269 | 6,002 | 70,917 |
| Purchases (GBV) | - | 926 | - | - | 926 |
| Disposals (WDV) | - | - | - | - | - |
| Depreciation & Impairment | (163) | (1,280) | (1,698) | (356) | (3,497) |
| Accumulated Depreciation Adj to Equity | | | - | - | - |
| Closing Balance - 30/6/14 | 5,911 | 21,218 | 35,571 | 5,646 | 68,346 |
| Transfers from/(to) another asset class | 1,238 | 354 | - | - | 1,592 |
| Purchases (GBV) | - | 854 | - | - | 854 |
| Disposals (WDV) | - | - | - | - | - |
| Depreciation & Impairment | (162) | (1,235) | (1,652) | (345) | (3,394) |
| Reval Inc / Dec to Equity (ARR) | (438) | 10,156 | 35,384 | (1,512) | 43,590 |
| Closing Balance - 30/6/15 | 6,549 | 31,347 | 69,303 | 3,789 | 110,988 |

| | Recreational Facilities | Swimming Pools | Land Oper & Comm (Assets Held for Sale) | Land Improvements (Assets Held for Sale) | Total |
|---|----------------------------|-------------------|--|---|---------------|
| Opening Balance - 1/7/13 | - | - | - | - | - |
| Adoption of AASB 13 | 20,340 | 13,233 | - | - | 33,573 |
| Transfers from/(to) another asset class | 27,611 | - | 5,003 | 3,743 | 36,357 |
| Purchases (GBV) | 708 | 4,939 | - | - | 5,647 |
| Disposals (WDV) | - | - | - | - | - |
| Depreciation & Impairment | (1,064) | (693) | - | - | (1,757) |
| Adjustment to Cost | - | - | | (1,456) | (1,456) |
| Closing Balance - 30/6/14 | 47,595 | 17,479 | 5,003 | 2,287 | 72,364 |
| Transfers from/(to) another asset class | (1,683) | 11 | - | - | (1,672) |
| Purchases (GBV) | 672 | 2,862 | - | - | 3,534 |
| Disposals (WDV) | - | - | (3,963) | (2,287) | (6,250) |
| Depreciation & Impairment | (2,931) | (625) | - | - | (3,556) |
| Transfers from WIP | 2,445 | 161 | - | - | 2,606 |
| Closing Balance - 30/6/15 | 46,098 | 19,888 | 1,040 | - | 67,026 |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

a. The following tables present the changes in Level 3 Fair Value Asset Classes. (continued)

| | Buildings Non Specialised | Furniture & Fittings | Office Equipment | Plant & Equipment | Total |
|---|---------------------------------|-------------------------|---------------------|-------------------------|---------------|
| Opening Balance - 1/7/13 | - | - | - | - | - |
| Adoption of AASB 13 | 65,700 | 127 | 790 | 5,929 | 72,546 |
| Purchases (GBV) | 4,969 | 53 | 291 | 1,937 | 7,250 |
| Disposals (WDV) | (819) | - | (55) | (677) | (1,551) |
| Depreciation & Impairment | (2,460) | (15) | (173) | (948) | (3,596) |
| Closing Balance - 30/6/14 | 67,390 | 165 | 853 | 6,241 | 74,649 |
| Transfers from/(to) another asset class | 27 | 4 | 208 | (220) | 19 |
| Purchases (GBV) | 1,925 | 66 | 275 | 1,614 | 3,880 |
| Disposals (WDV) | (970) | - | - | (712) | (1,682) |
| Depreciation & Impairment | (2,494) | (21) | (172) | (894) | (3,581) |
| Transfers from WIP | 402 | - | - | - | 402 |
| Closing Balance - 30/6/15 | 66,280 | 214 | 1,164 | 6,029 | 73,687 |

| | Financial Asset | Operational Land | Library Books | Total |
|---|--------------------|---------------------|------------------|---------|
| Opening Balance - 1/7/13 | - | - | - | - |
| Adoption of AASB 13 | 8,375 | 50,040 | 2,931 | 61,346 |
| Transfers from/(to) another asset class | - | (2,557) | 12 | (2,545) |
| Purchases (GBV) | 6,447 | 7,203 | 436 | 14,086 |
| Disposals (WDV) | (4,871) | (3,615) | - | (8,486) |
| Depreciation & Impairment | - | - | (712) | (712) |
| Reval Inc / Dec to Equity (ARR) | 6 | 1,862 | - | 1,868 |
| Closing Balance - 30/6/14 | 9,957 | 52,933 | 2,667 | 65,557 |
| Purchases (GBV) | 8,542 | 238 | 584 | 9,364 |
| Disposals (WDV) | (4,707) | (539) | (512) | (5,758) |
| Reval Inc / Dec to Equity (ARR) | 41 | - | - | 41 |
| Closing Balance - 30/6/15 | 13,833 | 52,632 | 2,739 | 69,204 |

b. Information relating to the transfers into and out of the Level 3 Fair Valuation hierarchy (as disclosed in the Table above) includes:

During the year, there were no transfers into and out of the Level 3 Fair Valuation hierarchy

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

| Class | Fair Value (30/6/15) \$'000 | Valuation Technique/s | Unobservable Inputs | Range of Inputs (incl. probable) | Relationship of unobservable inputs to Fair Value |
|--|-----------------------------------|--------------------------|---|--|---|
| Financial Assets | | | | | |
| At Fair Value through profit & loss | 13,833 | Advisor Report | Unit Prices | 0 - 4% | Increase/decrease in unit prices will result in changes in fair value measurements |
| I,PP&E | | | | | |
| Community Land | 326,775 | Cost Approach | Unimproved Capital Value provided by Valuer General Total area (6,986,004 m2) | Unit Rates: \$1 - \$2,384 (per square metre) | Increase/decrease in the price per square meter based on the unimproved capital value will result in changes in fair value |
| Land Under Roads | 66 | Cost Approach | Total area (85,374,620m2) Total Value of land (\$24,944,545,350) Total area LUR (2245m2) Englobo valuation basis (AASB116) | \$29.22 (per square metre) | Increase/decrease in the price per square meter will result in changes in fair value |
| Land Improvements Depreciable | 16,930 | Cost Approach | Replacement Cost Asset Condition rating Remaining Useful life | Unit Rates - vary from asset to asset Asset Condition 1 - 5 representing Excellent to Very poor Remaining Useful Life 20 - 100 yrs | Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in Fair value Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to Fair Value. |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

| | | | | | |
|-------------------------|---------|---------------|--|--|---|
| Stormwater Drainage | 163,119 | Cost Approach | Replacement Cost | Unit Rates: \$95 - \$5,567 vary from asset to asset | Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in Fair value |
| | | | Asset Condition rating | Asset Condition: 1-5 (Excellent to Very poor) | Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to Fair Value. |
| | | | Remaining Useful life | Remaining Useful Life: 15 - 150 yrs | |
| | | | Residual Value | Residual Value: 0% to 10% | |
| Buildings - Specialised | 10,832 | Cost Approach | Modern Equivalent Replacement Cost (MERC) | Unit Rates: vary from asset to asset | Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in Fair value |
| | | | Asset Condition rating | Asset Condition: 1-5 (Excellent to Very poor) | Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to Fair Value. |
| | | | Remaining Useful life | Remaining Useful Life: 4 - 60yrs | |
| | | | Components | Components: Superstructure Roof Floor Mechanical Fire | |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

| | | | | | |
|------------------------------|-------|---------------|--|---|---|
| Structure (Car Parks) | 7,901 | Cost Approach | Replacement Cost | Unit Rates: Surface: \$25 Pavement: \$50 Formation \$15 | Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in Fair value |
| | | | Asset Condition rating | Asset Condition: 1-5 (Excellent to Very poor) | Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to Fair Value. |
| | | | Remaining Useful life | Remaining Useful Life: 2.5yrs to 100 yrs | |
| | | | Residual Value | Residual Value: Pavement: 0% to 10% | |
| Other (Artworks, Sculptures) | 536 | Cost Approach | Replacement costs In the absence of replacement cost, depreciable replacement (DRC) cost is adopted | Replacement cost vary from asset to asset | Increases (decreases) in replacement cost or condition of the asset would result in a higher (lower) fair value measurement |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

| | | | | | |
|---------|---------|---------------|------------------------|--|---|
| Roads | 233,161 | Cost Approach | Replacement Cost | Unit Rates - Surface: \$25-\$32 - Pavement: \$50-\$100 - Formation: \$15-\$20 (Unit rates vary from asset to asset) | Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in Fair value |
| | | | Asset Condition rating | Asset Condition - Surface - Pavement - Formation Assessed as 1 - 5: Excellent to Very poor | Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to Fair Value. |
| | | | Remaining Useful life | Remaining Useful Life - Surface: 2-25yrs - Pavement: 2-55 yrs - Formation 100 yrs | |
| | | | Residual Value | Residual Value: 0% | |
| Bridges | 6,549 | Cost Approach | Replacement Cost | Unit Rates - vary from asset to asset | Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in Fair value |
| | | | Asset Condition rating | Asset Condition: 1-5 (Excellent to Very poor) | Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to Fair Value. |
| | | | Remaining Useful life | Remaining Useful Life: 4 - 89 yrs | |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

| | | | | | |
|--------------------------------------|--------|---------------|------------------------|---|---|
| Footpaths | 31,347 | Cost Approach | Replacement Cost | Unit Rates: \$100 - \$120 vary from asset to asset | Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in Fair value |
| | | | Asset Condition rating | Asset Condition: 1-5 (Excellent to Very poor) | Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to Fair Value. |
| | | | Remaining Useful life | Remaining Useful Life: 4 - 72 yrs | |
| Kerb & Gutter | 69,303 | Cost Approach | Replacement Cost | Unit Rates: \$140 - \$900 vary from asset to asset | Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in Fair value |
| | | | Asset Condition rating | Asset Condition: 1-5 (Excellent to Very poor) | Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to Fair Value. |
| | | | Remaining Useful life | Remaining Useful Life: 0 - 90 yrs | |
| Road Structure & Street Furniture | 5,948 | Cost Approach | Replacement Cost | Unit Rates: vary from asset to asset | Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in Fair value |
| | | | Asset Condition rating | Asset Condition: 1-5 (Excellent to Very poor) | Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to Fair Value. |
| | | | Remaining Useful life | Remaining Useful Life: 0 - 90 yrs | |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

| | | | | | |
|-------------------------|--------|---------------|------------------------|--|---|
| Recreational Facilities | 46,098 | Cost Approach | Replacement Cost | Unit Rates: vary from asset to asset | Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in Fair value |
| | | | Asset Condition rating | Asset Condition: 1-5 (Excellent to Very poor) | Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to Fair Value. |
| | | | Remaining Useful life | Remaining Useful Life: 0 - 100 yrs | |
| Swimming Pools | 19,888 | Cost Approach | Replacement Cost | Unit Rates: vary from asset to asset | Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in Fair value |
| | | | Asset Condition rating | Asset Condition: 1-5 (Excellent to Very poor) | Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to Fair Value. |
| | | | Remaining Useful life | Remaining Useful Life: 0 - 100 yrs | |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

| | | | | | |
|--|--------|---------------------------------|--|---|---|
| Buildings Non Specialised | 66,280 | Market Value/Cost Approach | Replacement Cost | Unit Rates: vary from asset to asset | Increase/decrease in the unit rates by 10% will result in 10% increase/decrease in Fair value |
| | | | Asset Condition rating | Asset Condition: 1-5 (Excellent to Very poor) | Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to Fair Value. |
| | | | Remaining Useful life | Remaining Useful Life: 4 - 60yrs | |
| | | | Components | Components Superstructure Roof Floor Mechanical Fire | |
| Furniture & Fittings, Office Equipment & Plant & Equipment (e.g. Fleet & Small Plant) | 7,408 | Cost Approach | Replacement Cost | Cost vary from asset to asset | Increase/decrease in the cost of the asset by 10% will result in 10% increase/decrease in Fair value |
| | | | Remaining Useful life | Remaining Useful Life: 0 - 10yrs | Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to Fair Value. |
| | | | Residual Value | Residual Value: 0-5% | |
| Operational Land | 52,632 | Market Value / Cost Approach | Total area (42,713m2) Total Value of land (\$49,810,000) | Unit Rates: \$1 - \$1170 (per square metre) | Increase/decrease in the price per square meter will result in changes in fair value |

Ku-ring-gai Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

| | | | | | |
|---------------|-------|---------------|------------------------|---|---|
| Library Books | 2,739 | Cost Approach | Replacement Cost | vary from asset to asset | Increase/decrease in the cost of the asset by 10% will result in 10% increase/decrease in Fair value |
| | | | Asset Condition rating | Asset Condition: 1-5 (Excellent to Very poor) | Asset condition rating and pattern of consumption that impact the remaining useful life or residual value of the asset will also result in significant changes to Fair Value. |
| | | | Remaining Useful life | Remaining Useful Life: 0 - 10 yrs | |
| | | | Residual Value | Residual Value: 0% to 10% | |

Non Current Assets classified as "Held for Sale"

| | | | | | |
|------|-------|---------------|--|--|--|
| Land | 1,004 | Cost Approach | Unimproved Capital Value provided by Valuer General Total area (6,986,004 m2) | Unit Rates: \$1 - \$2,384 (per square metre) | Increase/decrease in the price per square meter based on the unimproved capital value will result in changes in fair value |
|------|-------|---------------|--|--|--|

(5). Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use.

Ku-ring-gai Council
General Purpose Financial Report
Independent Auditor's Report

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We have audited the accompanying financial report of Ku-ring-gai Council (the Council), which comprises the Statement of Financial Position as at 30 June 2015, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by Councillors and Management.

Council's Responsibility for the Financial Report

The Council is responsible for the preparation of the financial report that presents fairly the Council's financial position in accordance with Australian Accounting Standards and the *Local Government Act 1993* and for such internal control as the Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with the relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

Our audit responsibility does not extend to the original budget information disclosed in the income statement, statement of cash flows, note 2(a), note 16 budget variation explanation and note 17 forecast information and accordingly, we do not express an opinion on such. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or Management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the general purpose financial report of Ku-ring-gai Council for the year ended 30 June 2015 published in the annual report and included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

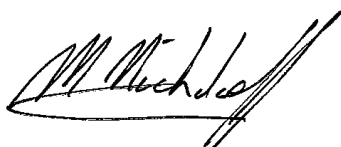
Independence

In conducting our audit, we have complied with the independence requirements of Australian professional accounting bodies.

Auditor's Opinion

In our opinion,

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) the financial report:
 - (i) has been presented in accordance with the requirements of this Division;
 - (ii) is consistent with the Council's accounting records;
 - (iii) presents fairly the Council's financial position as at 30 June 2015 and the results of its operations for the year then ended; and
 - (iv) is in accordance with applicable Australian Accounting Standards and the Local Government (General) Regulations 2005.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial report that have come to light during the course of the audit.



M.D. Nicholaeff
Partner



UHY Haines Norton
Chartered Accountants

Signed in Sydney on 9th September 2015

9 September 2015

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The Mayor
Ku-ring-gai Council
818 Pacific Highway
GORDON NSW 2072

Dear Mayor,

**Report on the Conduct of the Audit
Year Ended 30 June 2015**

We are pleased to advise completion of our audit of the General and Special Purpose Financial Statements for Ku-ring-gai Council for the year ended 30 June 2015, in accordance with Section 415 of the Local Government Act, 1993 ("the Act"); and that our audit opinion provided under Section 417(2) of the Act has been issued to Council. The following report on the conduct of the audit is issued in compliance with Section 417(3) of the Act.

The Councillors and Council Management are responsible for the preparation and true and fair presentation of the financial reports, which includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial reports. While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We have conducted our audit in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the Council's financial reports are free of material misstatement. An audit is influenced by factors such as professional judgement, selective testing, the inherent limitations of internal control and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We have reviewed that the accounts have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) and the Local Government Code of Accounting Practice and Financial Reporting.

We offer the following comments on the financial statements and the audit:

STATEMENT OF COMPREHENSIVE INCOME

MOVEMENT IN RESULTS OVER PRIOR YEAR

Council's Net Operating Result before Grants and Contributions provided for capital purposes indicates a surplus of \$13.460 million for the year ended 30 June 2015 compared to a surplus of \$3.117 million for the year ended 30 June 2014.

The Net Operating Result after Grants and Contributions for capital purposes has increased \$6.545 million to a surplus of \$22.586 million (2014: surplus of \$16.041 million).

Commentary on the major movements within the income and expense categories within the income statement is detailed below:

MOVEMENT IN REVENUE ITEMS 2014-2015

| | 2015 | 2014 | Increase (Decrease) |
|--|--------|--------|------------------------|
| | \$'000 | \$'000 | \$'000 |
| Rates and Annual Charges | 76,370 | 72,976 | 3,394 |
| User Charges and Fees | 13,683 | 11,480 | 2,203 |
| Grants & Contributions Provided for Operating Purposes | 7,728 | 4,703 | 3,025 |
| Grants & Contributions Provided for Capital Purposes | 9,126 | 12,924 | (3,798) |
| Net Gains from the Disposal of Assets | 12,852 | 1,516 | 11,336 |

RATES AND ANNUAL CHARGES

Rates and annual charges have increased by \$3.394 million (5%). The increase in rate income is in line with the permissible rate increase granted by the Minister for Local Government and in line with the changes to supplementary valuations in the Ku-ring-gai area.

USER CHARGES AND FEES

User fees & charges have increased this year by \$2.203 million (19%). This increase is as a result of income received from Council's Fitness and Aquatic Centre which officially opened in October 2014.

GRANTS AND CONTRIBUTIONS PROVIDED FOR OPERATING PURPOSES

Grants and contributions provided for operating purposes has increased by \$3.025 million (64%) to \$7.728 million. The increase was largely due to the full receipt of the Financial Assistance Grant.

GRANTS AND CONTRIBUTIONS PROVIDED FOR CAPITAL PURPOSES

Grants and contributions provided for capital purposes has decreased by \$3.798 million (29%) to \$9.126 million. The main reason for the decrease in Capital Grant income is due to decreased Section 94 contributions from developers and a decrease in capital contributions to works.

NET GAINS FROM THE DISPOSAL OF ASSETS

Net gains from the disposal of assets have increased by \$11.336 million (747%) to \$12.852 million. This increase is largely due to the sale of the Culworth Avenue carpark and twenty-four (24) lots from the B2 Land Subdivision project with the NSW Department of Planning.

MOVEMENT IN EXPENSE ITEMS 2014-2015

| | 2015 | 2014 | Increase (Decrease) |
|--------------------------------|--------|--------|------------------------|
| | \$'000 | \$'000 | \$'000 |
| Employee Benefits and On-costs | 36,127 | 35,014 | 1,113 |
| Materials and Contracts | 38,390 | 31,096 | 7,294 |
| Depreciation and Amortisation | 19,349 | 18,457 | 892 |
| Other Expenses | 15,306 | 14,795 | 511 |

EMPLOYEE BENEFITS & ON-COSTS

Employee benefits and on-costs expense has increased by \$1.113 million (3%) to \$36.127 million. The increase is broadly consistent with the increases to the award and an increase in training costs.

MATERIALS AND CONTRACTS

Materials and contracts expense has increased by \$7.294 million (23%) to \$38.390 million. The increase can mainly be attributed to an increase in contractor and consultancy costs, including costs associated with the Ku-ring-gai Fitness and Aquatic Centre and remediation of Council's old depot at Carlotta Avenue.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation expense has increased by \$892,000 (5%) to \$19.349 million. The increase was largely due to the recognition of additional assets in the recreational facilities class.

OTHER EXPENSES

Other expenses have increased by \$511,000 (3%) to \$15.306 million. This was largely a result of increased costs for community events advertising, insurance and utility expenses.

STATEMENT OF FINANCIAL POSITION

During the year, the Council's net assets increased by \$116.179 million to \$1.137 billion. The major movements within the balance sheet were:

- Increase of \$99.694 million in the value of infrastructure, property, plant, and equipment.
- Decrease of \$17.209 million in borrowings.

INFRASTRUCTURE, PROPERTY, PLANT, AND EQUIPMENT

The increase in the IPPE balance is largely a result of asset revaluations conducted for the financial year. The following classes of assets were revalued:

- Roads - \$50.658 million.
- Stormwater Drainage – \$28.127 million.
- Footpaths - \$10.156 million.
- Other Structures - \$6.528 million.
- Bulk Earthworks (Non-Depreciable) – (\$1.438 million).
- Bridges – (\$438,000).

Council also brought to account additional assets to the value of \$28.413 million and had a depreciation expense of \$19.083 million.

BORROWINGS

The decrease in borrowings is a result of Council making an early loan repayment. A voluntary loan repayment was made to partially discharge the loan associated with Council's administration building.

STATEMENT OF CASH FLOWS

| | 2015 | 2014 | Increase (Decrease) |
|--------------------------------|----------|----------|------------------------|
| | \$'000 | \$'000 | \$'000 |
| Net Cash Flows from Operations | 29,265 | 34,768 | (5,503) |
| Net Cash Flows from Investing | (11,122) | (55,922) | (44,800) |
| Net Cash Flows from Financing | (17,909) | 8,076 | 25,985 |

NET CASH FLOWS FROM OPERATIONS

Net cash provided from operating activities amounted to \$29.265 million in 2015 compared to \$34.768 million in the prior year. The decrease can mainly be explained by additional cash payments in materials and contracts of \$8.650 million and a cash increase in rates and annual charges of \$3.341 million.

NET CASH FLOWS FROM INVESTING

Net cash used in investing activities amounted to \$11.122 million for the year ended 30 June 2015 compared to \$55.922 million for the prior year.

This is largely due to cash inflows from the sale of property, plant and equipment of \$22.225 million and a decrease in the acquisition of property, plant and equipment of \$19.391 million.

NET CASH FLOWS FROM FINANCING

Net cash used in financing activities amount to \$17.909 million for the year ended 30 June 2015.

This can be attributed to the voluntary repayment of the loan associated with the Council Administration Building and repayment of other loans of \$18.192 million. This was offset by loan proceeds of \$283,000.

TOTAL INVESTMENTS AND CASH BALANCES

| | 2015 | 2014 | Increase (Decrease) |
|---|---------------|---------------|------------------------|
| | \$'000 | \$'000 | \$'000 |
| Externally Restricted Cash | 73,554 | 65,599 | 7,955 |
| Internally Restricted Cash | 20,701 | 22,992 | (2,291) |
| Unrestricted Cash | 3,029 | 3,871 | (842) |
| Total Cash, Cash Equivalents and Investments | 97,284 | 92,462 | 4,822 |

EXTERNALLY RESTRICTED CASH

Externally restricted cash and investments are restricted in their use by externally imposed requirements. The movement in externally restricted cash balances included the increase of \$4.639 million in developer contributions – general and \$2.483 million domestic waste management.

INTERNALLY RESTRICTED CASH

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The movement in internally restricted cash balances included a decrease of \$2.206 million in infrastructure and facilities.

UNRESTRICTED CASH

Unrestricted cash and investments are those funds available to provide liquidity for day to day operations.

WORKING CAPITAL (NET CURRENT ASSETS)

| | 2015 | 2014 | Increase (Decrease) |
|--|---------------|---------------|------------------------|
| | \$'000 | \$'000 | \$'000 |
| Current Assets | 45,686 | 57,969 | (12,283) |
| Current Liabilities | (23,445) | (25,759) | 2,314 |
| Net Current Assets | 22,241 | 32,210 | (9,969) |
| Add: Current Liabilities not anticipated to be settled within the next 12 months | 9,696 | 10,176 | (480) |
| Adjusted Net Current Assets | 31,937 | 42,386 | (10,449) |
| Add: Current Liabilities expected to be settled within the next 12 months | | | |
| - Borrowings | 2,536 | 4,347 | (1,811) |
| - Provisions | 3,090 | 2,705 | 385 |
| - Security Bonds, Deposits and Retentions | 135 | 135 | - |
| Less: Externally Restricted Assets | (11,280) | (14,594) | 3,314 |
| Less: Internally Restricted Assets including Current Assets Classified as Held for Sale | (21,741) | (30,282) | 8,541 |
| Working Capital as at 30 June | 4,677 | 4,697 | (20) |

Council's balance of working capital has had a slight decrease of \$20,000 to \$4.677 million for the 2015 financial year. This decrease is as a result of Council's decrease in current investments and non-current assets held for sale. This has been offset by a decrease in Council's internally restricted assets.

PERFORMANCE INDICATORS AND TRENDS

Our comments in regard to Council's performance for the 2015 year are based on those performance indicators that are considered meaningful.

The indicators we have reviewed are as follows:

| | 2015 | 2014 |
|---|----------|----------|
| Unrestricted Current Ratio | 2.50 : 1 | 2.78 : 1 |
| Debt Service Cover Ratio | 1.09 : 1 | 4.82 : 1 |
| Operating Performance Ratio | 0.51% | 1.56% |
| Own Source Operating Revenue Ratio | 86.00% | 84.72% |
| Rates and Annual Charges Outstanding Percentage | 3.18% | 3.25% |
| Cash Expense Cover Ratio | 6.08 | 8.01 |

UNRESTRICTED CURRENT RATIO

The unrestricted current ratio is used to assess the adequacy of available current assets and Council's ability to satisfy its obligations in the short term after taking into account any external restrictions over the use of the current assets. The ratio of 2.50 has decreased from the prior year's ratio of 2.78, however is still an indicator of Council's ability to effectively meet their current liabilities.

DEBT SERVICE COVER RATIO

At 30 June 2015 Council had outstanding borrowings of \$26.523 million compared with \$43.682 million as at 30 June 2014. The debt service cover ratio measures the availability of operating cash to service debt repayments. For the 2015 financial year the ratio indicated that operating results before capital, interest, depreciation and amortisation covered payments required to service debt by 1.09 to 1. The ratio has decreased as a result of higher principal and interest repayments during the financial year.

OPERATING PERFORMANCE RATIO

This ratio is essentially measures Council's ability to contain operating expenditure within its operating revenue, excluding capital grants and contributions. For the 2015 financial year, this indicator was 0.51%, which exceeded the benchmark of -4%.

OWN SOURCE OPERATING REVENUE RATIO

The own source operating revenue ratio measures Council's fiscal flexibility and their degree of reliance on external funding sources such as grants and contributions. For the 2015 financial year, this indicator was 86.00% and exceeded the benchmark of 60%.

RATES AND ANNUAL CHARGES OUTSTANDING PERCENTAGE

The rates and annual charges outstanding percentage is used to assess the impact of uncollected rates and annual charges on liquidity and the adequacy of debt recovery efforts. The percentage of rates and annual charges outstanding has decreased from 3.25% to 3.18% in the current year. This indicates that debtors are being collected at a faster rate than in the prior year.

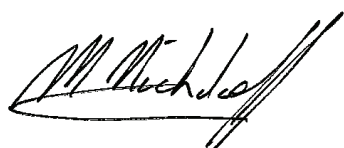
CASH EXPENSE COVER RATIO

This liquidity ratio indicates the number of months that Council can continue to pay its immediate expenditure items with available cash and term deposit balances, without the need for additional cash inflow. For 2015, this ratio stood at 6.08 months compared to the benchmark of greater than 3 months.

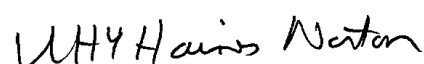
REPORTING TO MANAGEMENT

A management letter highlighting matters arising from our interim audit has been prepared and issued where considered necessary or appropriate. Matters raised in the letter included suggestions for improvement and management's comments and proposed actions.

We wish to record our appreciation to your General Manager, Director Corporate, Finance Manager and their staff for the co-operation and courtesy extended to us during the course of our audit and commend their efforts in the early completion of the financial reports.



M.D. Nicholaeff
Partner



UHY Haines Norton
Chartered Accountants

Signed at Sydney on 9th September 2015

Ku-ring-gai Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

"...a creative, vibrant place where citizens respect each other and conserve the magnificent environment and society for our children and our grandchildren"



Ku-ring-gai Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.
- (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities). **(c)** those activities with a turnover of less than \$2 million that Council has formally declared as a Business Activity (defined as Category 2 activities).
- (iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Ku-ring-gai Council

Special Purpose Financial Statements for the financial year ended 30 June 2015

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

The attached Special Purpose Financial Statements have been prepared in accordance with:

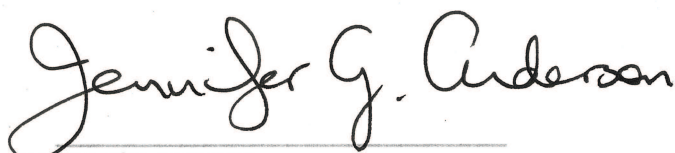
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these Financial Statements:

- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

We are not aware of any matter that would render these Statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 8 September 2015.



Jennifer Anderson
MAYOR


Chantelle Fornari-Orsmond
DEPUTY MAYOR
John McKee
GENERAL MANAGER
Angela Apostol
RESPONSIBLE ACCOUNTING OFFICER

Ku-ring-gai Council

Income Statement of Council's Other Business Activities for the financial year ended 30 June 2015

| | Thomas Carlyle Childrens Centre | | Art Centre | |
|--|------------------------------------|----------------|----------------|----------------|
| \$ '000 | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 |
| Income from continuing operations | | | | |
| Access charges | - | - | - | - |
| User charges | 986 | 966 | 452 | 457 |
| Fees | - | - | - | - |
| Interest | - | - | - | - |
| Grants and contributions provided for non capital purposes | 384 | 290 | - | - |
| Profit from the sale of assets | - | - | - | - |
| Other income | - | - | - | - |
| Total income from continuing operations | 1,370 | 1,256 | 452 | 457 |
| Expenses from continuing operations | | | | |
| Employee benefits and on-costs | 1,011 | 950 | 523 | 510 |
| Borrowing costs | - | - | - | - |
| Materials and contracts | 147 | 119 | 43 | 53 |
| Depreciation and impairment | 23 | 26 | 32 | 26 |
| Other expenses | 76 | 76 | 50 | 60 |
| Total expenses from continuing operations | 1,257 | 1,171 | 648 | 649 |
| Surplus (deficit) from Continuing Operations before capital amounts | 113 | 85 | (196) | (192) |
| Grants and contributions provided for capital purposes | - | - | - | - |
| Surplus (deficit) from Continuing Operations after capital amounts | 113 | 85 | (196) | (192) |
| Surplus (deficit) from discontinued operations | - | - | - | - |
| Surplus (deficit) from ALL Operations before tax | 113 | 85 | (196) | (192) |
| less: Corporate Taxation Equivalent (30%) [based on result before capital] | (34) | (26) | - | - |
| SURPLUS (DEFICIT) AFTER TAX | 79 | 60 | (196) | (192) |
| plus Opening Retained Profits | 831 | 831 | 3,847 | 3,880 |
| plus Adjustments for amounts unpaid: | | | | |
| - Corporate taxation equivalent | 34 | 26 | - | - |
| add: | | | | |
| - Subsidy Paid/Contribution To Operations | - | - | 544 | 159 |
| less: | | | | |
| - TER dividend paid | - | - | - | - |
| - Dividend paid | (124) | (85) | - | - |
| Closing Retained Profits | 820 | 831 | 4,195 | 3,847 |
| Return on Capital % | 12.2% | 9.4% | -4.5% | -4.9% |
| Subsidy from Council | - | - | 329 | 332 |

Ku-ring-gai Council

Income Statement of Council's Other Business Activities for the financial year ended 30 June 2015

| | Trade Waste | | Gordon Golf Club | |
|--|----------------|----------------|------------------|----------------|
| \$ '000 | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 |
| Income from continuing operations | | | | |
| Access charges | - | - | - | - |
| User charges | 1,671 | 1,526 | 558 | 545 |
| Fees | - | - | - | - |
| Interest | - | - | - | - |
| Grants and contributions provided for non capital purposes | - | - | - | - |
| Profit from the sale of assets | - | - | - | - |
| Other income | 92 | 80 | - | - |
| Total income from continuing operations | 1,763 | 1,606 | 558 | 545 |
| Expenses from continuing operations | | | | |
| Employee benefits and on-costs | 42 | 43 | 274 | 298 |
| Borrowing costs | - | - | - | - |
| Materials and contracts | 1,475 | 1,497 | 347 | 317 |
| Depreciation and impairment | - | - | 124 | 71 |
| Other expenses | 1 | 10 | 161 | 159 |
| Total expenses from continuing operations | 1,518 | 1,550 | 906 | 845 |
| Surplus (deficit) from Continuing Operations before capital amounts | 245 | 56 | (348) | (300) |
| Grants and contributions provided for capital purposes | - | - | - | - |
| Surplus (deficit) from Continuing Operations after capital amounts | 245 | 56 | (348) | (300) |
| Surplus (deficit) from discontinued operations | - | - | - | - |
| Surplus (deficit) from ALL Operations before tax | 245 | 56 | (348) | (300) |
| less: Corporate Taxation Equivalent (30%) [based on result before capital] | (74) | (17) | - | - |
| SURPLUS (DEFICIT) AFTER TAX | 172 | 39 | (348) | (300) |
| plus Opening Retained Profits | (175) | (175) | 6,292 | 5,345 |
| plus Adjustments for amounts unpaid: | | | | |
| - Corporate taxation equivalent | 74 | 17 | - | - |
| add: | | | | |
| - Subsidy Paid/Contribution To Operations | - | - | 129 | 1,247 |
| less: | | | | |
| - Dividend paid | (405) | (56) | - | - |
| Closing Retained Profits | (335) | (175) | 6,073 | 6,292 |
| Return on Capital % | n/a | n/a | -5.3% | -4.4% |
| Subsidy from Council | - | - | 549 | 540 |

Ku-ring-gai Council

Income Statement of Council's Other Business Activities for the financial year ended 30 June 2015

| | Turramurra Golf Course | | Tennis Courts | |
|--|------------------------|----------------|----------------|----------------|
| \$ '000 | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 |
| Income from continuing operations | | | | |
| Access charges | - | - | - | - |
| User charges | 294 | 362 | 298 | 303 |
| Fees | - | - | - | - |
| Interest | - | - | - | - |
| Grants and contributions provided for non capital purposes | - | - | - | - |
| Profit from the sale of assets | - | - | - | - |
| Other income | - | - | - | - |
| Total income from continuing operations | 294 | 362 | 298 | 303 |
| Expenses from continuing operations | | | | |
| Employee benefits and on-costs | 321 | 319 | 2 | 2 |
| Borrowing costs | - | - | - | - |
| Materials and contracts | 265 | 156 | 8 | 25 |
| Depreciation and impairment | 242 | 270 | 639 | 276 |
| Other expenses | 191 | 232 | 26 | 41 |
| Total expenses from continuing operations | 1,019 | 977 | 675 | 344 |
| Surplus (deficit) from Continuing Operations before capital amounts | (725) | (615) | (377) | (41) |
| Grants and contributions provided for capital purposes | - | - | - | - |
| Surplus (deficit) from Continuing Operations after capital amounts | (725) | (615) | (377) | (41) |
| Surplus (deficit) from discontinued operations | - | - | - | - |
| Surplus (deficit) from ALL Operations before tax | (725) | (615) | (377) | (41) |
| less: Corporate Taxation Equivalent (30%) [based on result before capital] | - | - | - | - |
| SURPLUS (DEFICIT) AFTER TAX | (725) | (615) | (377) | (41) |
| plus Opening Retained Profits | 14,342 | 11,413 | 5,993 | 4,556 |
| plus Adjustments for amounts unpaid: | | | | |
| add: | | | | |
| - Subsidy Paid/Contribution To Operations | 4,051 | 3,544 | - | 1,478 |
| less: | | | | |
| - Dividend paid | - | - | (235) | - |
| Closing Retained Profits | 17,668 | 14,342 | 5,381 | 5,993 |
| Return on Capital % | -4.0% | -4.1% | -7.0% | -0.7% |
| Subsidy from Council | 1,288 | 1,149 | 543 | 255 |

Ku-ring-gai Council

Income Statement of Council's Other Business Activities for the financial year ended 30 June 2015

| | Swimming Pool | | Nursery | |
|--|----------------|----------------|----------------|----------------|
| \$ '000 | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 |
| Income from continuing operations | | | | |
| Access charges | - | - | - | - |
| User charges | 2,234 | - | 33 | 41 |
| Fees | - | - | - | - |
| Interest | - | - | - | - |
| Grants and contributions provided for non capital purposes | - | - | - | - |
| Profit from the sale of assets | - | - | - | - |
| Other income | - | - | 7 | 12 |
| Total income from continuing operations | 2,234 | - | 40 | 53 |
| Expenses from continuing operations | | | | |
| Employee benefits and on-costs | - | - | 137 | 123 |
| Borrowing costs | - | - | - | - |
| Materials and contracts | 2,404 | 106 | 8 | 10 |
| Depreciation and impairment | 625 | 694 | 11 | 11 |
| Other expenses | 384 | 50 | 11 | 32 |
| Total expenses from continuing operations | 3,413 | 850 | 167 | 176 |
| Surplus (deficit) from Continuing Operations before capital amounts | (1,179) | (850) | (127) | (123) |
| Grants and contributions provided for capital purposes | - | - | - | - |
| Surplus (deficit) from Continuing Operations after capital amounts | (1,179) | (850) | (127) | (123) |
| Surplus (deficit) from discontinued operations | - | - | - | - |
| Surplus (deficit) from ALL Operations before tax | (1,179) | (850) | (127) | (123) |
| less: Corporate Taxation Equivalent (30%) [based on result before capital] | - | - | - | - |
| SURPLUS (DEFICIT) AFTER TAX | (1,179) | (850) | (127) | (123) |
| plus Opening Retained Profits | 16,926 | 12,945 | 83 | 48 |
| plus Adjustments for amounts unpaid: add: | | | | |
| - Subsidy Paid/Contribution To Operations | 4,008 | 4,831 | 113 | 158 |
| less: | | | | |
| - Dividend paid | - | - | - | - |
| Closing Retained Profits | 19,755 | 16,926 | 69 | 83 |
| Return on Capital % | -5.9% | -4.9% | -135.1% | -113.9% |
| Subsidy from Council | 1,789 | 1,472 | 130 | 127 |

Ku-ring-gai Council

Income Statement of Council's Other Business Activities for the financial year ended 30 June 2015

Commercial Leasing

| \$ '000 | Actual 2015 | Actual 2014 |
|--|----------------|----------------|
| Income from continuing operations | | |
| Access charges | - | - |
| User charges | 1,495 | 1,549 |
| Fees | - | - |
| Interest | - | - |
| Grants and contributions provided for non capital purposes | - | - |
| Profit from the sale of assets | - | - |
| Other income | 158 | 168 |
| Total income from continuing operations | 1,653 | 1,717 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 195 | 146 |
| Borrowing costs | - | - |
| Materials and contracts | 504 | 585 |
| Depreciation and impairment | 565 | 559 |
| Other expenses | 305 | 361 |
| Total expenses from continuing operations | 1,569 | 1,651 |
| Surplus (deficit) from Continuing Operations before capital amounts | 84 | 66 |
| Grants and contributions provided for capital purposes | - | - |
| Surplus (deficit) from Continuing Operations after capital amounts | 84 | 66 |
| Surplus (deficit) from discontinued operations | - | - |
| Surplus (deficit) from ALL Operations before tax | 84 | 66 |
| less: Corporate Taxation Equivalent (30%) [based on result before capital] | (25) | (20) |
| SURPLUS (DEFICIT) AFTER TAX | 59 | 46 |
| plus Opening Retained Profits | 21,036 | 14,824 |
| plus Adjustments for amounts unpaid: | | |
| - Corporate taxation equivalent | 25 | 20 |
| add: | | |
| - Subsidy Paid/Contribution To Operations | 272 | 6,146 |
| less: | | |
| - Dividend paid | - | - |
| Closing Retained Profits | 21,392 | 21,036 |
| Return on Capital % | 0.4% | 0.3% |
| Subsidy from Council | 573 | 683 |

Ku-ring-gai Council

Statement of Financial Position - Council's Other Business Activities as at 30 June 2015

| | Thomas Carlyle Childrens Centre | | Art Centre | |
|--|------------------------------------|----------------|----------------|----------------|
| \$ '000 | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | - | - | - | - |
| Investments | - | - | - | - |
| Receivables | 19 | 18 | 2 | - |
| Inventories | - | - | - | - |
| Other | - | - | - | - |
| Non-current assets classified as held for sale | - | - | - | - |
| Total Current Assets | 19 | 18 | 2 | - |
| Non-Current Assets | | | | |
| Investments | - | - | - | - |
| Receivables | - | - | - | - |
| Inventories | - | - | - | - |
| Infrastructure, property, plant and equipment | 924 | 907 | 4,323 | 3,938 |
| Investments accounted for using equity method | - | - | - | - |
| Intangible Assets | - | - | - | - |
| Other | - | - | - | - |
| Total Non-Current Assets | 924 | 907 | 4,323 | 3,938 |
| TOTAL ASSETS | 943 | 925 | 4,325 | 3,938 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Bank Overdraft | - | - | - | - |
| Payables | 49 | 1 | 114 | 78 |
| Interest bearing liabilities | - | - | - | - |
| Provisions | 70 | 89 | 16 | 13 |
| Total Current Liabilities | 119 | 90 | 130 | 91 |
| Non-Current Liabilities | | | | |
| Payables | - | - | - | - |
| Interest bearing liabilities | - | - | - | - |
| Provisions | - | - | - | - |
| Other Liabilities | - | - | - | - |
| Total Non-Current Liabilities | - | - | - | - |
| TOTAL LIABILITIES | 119 | 90 | 130 | 91 |
| NET ASSETS | 824 | 835 | 4,195 | 3,847 |
| EQUITY | | | | |
| Retained earnings | 820 | 831 | 4,195 | 3,847 |
| Revaluation reserves | 4 | 4 | - | - |
| Council equity interest | 824 | 835 | 4,195 | 3,847 |
| TOTAL EQUITY | 824 | 835 | 4,195 | 3,847 |

Ku-ring-gai Council

Statement of Financial Position - Council's Other Business Activities
as at 30 June 2015

| | Trade Waste | | Gordon Golf Club | |
|--|----------------|----------------|------------------|----------------|
| \$ '000 | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | - | - | - | - |
| Investments | - | - | - | - |
| Receivables | - | - | - | - |
| Inventories | - | - | - | - |
| Other | - | - | - | - |
| Non-current assets classified as held for sale | - | - | - | - |
| Total Current Assets | - | - | - | - |
| Non-Current Assets | | | | |
| Investments | - | - | - | - |
| Receivables | - | - | - | - |
| Inventories | - | - | - | - |
| Infrastructure, property, plant and equipment | - | - | 6,562 | 6,750 |
| Investments accounted for using equity method | - | - | - | - |
| Intangible Assets | - | - | - | - |
| Other | - | - | - | - |
| Total Non-Current Assets | - | - | 6,562 | 6,750 |
| TOTAL ASSETS | - | - | 6,562 | 6,750 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Bank Overdraft | - | - | - | - |
| Payables | 140 | - | 1 | 1 |
| Interest bearing liabilities | - | - | - | - |
| Provisions | 195 | 175 | 47 | 16 |
| Total Current Liabilities | 335 | 175 | 48 | 17 |
| Non-Current Liabilities | | | | |
| Payables | - | - | - | - |
| Interest bearing liabilities | - | - | - | - |
| Provisions | - | - | - | - |
| Other Liabilities | - | - | - | - |
| Total Non-Current Liabilities | - | - | - | - |
| TOTAL LIABILITIES | 335 | 175 | 48 | 17 |
| NET ASSETS | (335) | (175) | 6,514 | 6,733 |
| EQUITY | | | | |
| Retained earnings | (335) | (175) | 6,073 | 6,292 |
| Revaluation reserves | - | - | 441 | 441 |
| Council equity interest | (335) | (175) | 6,514 | 6,733 |
| TOTAL EQUITY | (335) | (175) | 6,514 | 6,733 |

Ku-ring-gai Council

Statement of Financial Position - Council's Other Business Activities as at 30 June 2015

| | Turramurra Golf Course | | Tennis Courts | |
|--|---------------------------|----------------|----------------|----------------|
| \$ '000 | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | - | - | - | - |
| Investments | - | - | - | - |
| Receivables | 27 | 28 | - | - |
| Inventories | - | - | - | - |
| Other | - | - | - | - |
| Non-current assets classified as held for sale | - | - | - | - |
| Total Current Assets | 27 | 28 | - | - |
| Non-Current Assets | | | | |
| Investments | - | - | - | - |
| Receivables | - | - | - | - |
| Inventories | - | - | - | - |
| Infrastructure, property, plant and equipment | 18,330 | 14,992 | 5,396 | 6,011 |
| Investments accounted for using equity method | - | - | - | - |
| Intangible Assets | - | - | - | - |
| Other | - | - | - | - |
| Total Non-Current Assets | 18,330 | 14,992 | 5,396 | 6,011 |
| TOTAL ASSETS | 18,357 | 15,020 | 5,396 | 6,011 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Bank Overdraft | - | - | - | - |
| Payables | - | - | 15 | 18 |
| Interest bearing liabilities | - | - | - | - |
| Provisions | 107 | 96 | - | - |
| Total Current Liabilities | 107 | 96 | 15 | 18 |
| Non-Current Liabilities | | | | |
| Payables | - | - | - | - |
| Interest bearing liabilities | - | - | - | - |
| Provisions | - | - | - | - |
| Other Liabilities | - | - | - | - |
| Total Non-Current Liabilities | - | - | - | - |
| TOTAL LIABILITIES | 107 | 96 | 15 | 18 |
| NET ASSETS | 18,250 | 14,924 | 5,381 | 5,993 |
| EQUITY | | | | |
| Retained earnings | 17,668 | 14,342 | 5,381 | 5,993 |
| Revaluation reserves | 582 | 582 | - | - |
| Council equity interest | 18,250 | 14,924 | 5,381 | 5,993 |
| TOTAL EQUITY | 18,250 | 14,924 | 5,381 | 5,993 |

Ku-ring-gai Council

Statement of Financial Position - Council's Other Business Activities as at 30 June 2015

| | Swimming Pool | | Nursery | |
|--|----------------|----------------|----------------|----------------|
| \$ '000 | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | - | - | - | - |
| Investments | - | - | - | - |
| Receivables | 262 | - | - | - |
| Inventories | - | - | - | - |
| Other | - | - | - | - |
| Non-current assets classified as held for sale | - | - | - | - |
| Total Current Assets | 262 | - | - | - |
| Non-Current Assets | | | | |
| Investments | - | - | - | - |
| Receivables | - | - | - | - |
| Inventories | - | - | - | - |
| Infrastructure, property, plant and equipment | 19,880 | 17,479 | 94 | 108 |
| Investments accounted for using equity method | - | - | - | - |
| Intangible Assets | - | - | - | - |
| Other | - | - | - | - |
| Total Non-Current Assets | 19,880 | 17,479 | 94 | 108 |
| TOTAL ASSETS | 20,142 | 17,479 | 94 | 108 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Bank Overdraft | - | - | - | - |
| Payables | 321 | 487 | - | - |
| Interest bearing liabilities | - | - | - | - |
| Provisions | - | - | 21 | 21 |
| Total Current Liabilities | 321 | 487 | 21 | 21 |
| Non-Current Liabilities | | | | |
| Payables | - | - | - | - |
| Interest bearing liabilities | - | - | - | - |
| Provisions | - | - | - | - |
| Other Liabilities | - | - | - | - |
| Total Non-Current Liabilities | - | - | - | - |
| TOTAL LIABILITIES | 321 | 487 | 21 | 21 |
| NET ASSETS | 19,821 | 16,992 | 73 | 87 |
| EQUITY | | | | |
| Retained earnings | 19,755 | 16,926 | 69 | 83 |
| Revaluation reserves | 66 | 66 | 4 | 4 |
| Council equity interest | 19,821 | 16,992 | 73 | 87 |
| TOTAL EQUITY | 19,821 | 16,992 | 73 | 87 |

Ku-ring-gai Council

Statement of Financial Position - Council's Other Business Activities as at 30 June 2015

| | Commercial Leasing | |
|--|-----------------------|----------------|
| \$ '000 | Actual 2015 | Actual 2014 |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | - | - |
| Investments | - | - |
| Receivables | 37 | 48 |
| Inventories | - | - |
| Other | - | - |
| Non-current assets classified as held for sale | - | - |
| Total Current Assets | 37 | 48 |
| Non-Current Assets | | |
| Investments | - | - |
| Receivables | - | - |
| Inventories | - | - |
| Infrastructure, property, plant and equipment | 21,394 | 21,026 |
| Investments accounted for using equity method | - | - |
| Intangible Assets | - | - |
| Other | - | - |
| Total Non-Current Assets | 21,394 | 21,026 |
| TOTAL ASSETS | 21,431 | 21,074 |
| LIABILITIES | | |
| Current Liabilities | | |
| Bank Overdraft | - | - |
| Payables | 3 | 2 |
| Interest bearing liabilities | - | - |
| Provisions | 36 | 36 |
| Total Current Liabilities | 39 | 38 |
| Non-Current Liabilities | | |
| Payables | - | - |
| Interest bearing liabilities | - | - |
| Provisions | - | - |
| Other Liabilities | - | - |
| Total Non-Current Liabilities | - | - |
| TOTAL LIABILITIES | 39 | 38 |
| NET ASSETS | 21,392 | 21,036 |
| EQUITY | | |
| Retained earnings | 21,392 | 21,036 |
| Revaluation reserves | - | - |
| Council equity interest | 21,392 | 21,036 |
| TOTAL EQUITY | 21,392 | 21,036 |

Ku-ring-gai Council

Special Purpose Financial Statements for the financial year ended 30 June 2015

Contents of the Notes accompanying the Financial Statements

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Ku-ring-gai Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council's business activities (reported herein) are not reporting entities.

The special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis. They are based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the Office of Local Government in July 1997 has also been adopted.

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

In accordance with *Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

a. Swimming Pool

Comprising the whole of the operations and assets of Council's Swimming Pool.

Category 2

(where gross operating turnover is less than \$2 million)

b. Thomas Carlyle Children's Centre

Comprising the whole of the operations and assets of Thomas Carlyle Children's Centre.

c. Art Centre

Comprising the whole of the operations and assets of the Art Centre.

d. Trade Waste

Comprising the whole of the operations and assets of Trade Waste.

e. Gordon Golf Course

Comprising the whole of the operations and assets of the Gordon Golf Course.

f. Turramurra Golf Course

Comprising the whole of the operations and assets of Turramurra Golf Course.

g. Tennis Courts

Comprising the whole of the operations and assets of Council's Tennis Courts.

h. Plant Nursery

Comprising the whole of the operations and assets of Council's Plant Nursery.

i. Commercial Leasing

Comprising the whole of the operations and assets of Commercial Leasing.

Ku-ring-gai Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars.

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

Loan & Debt Guarantee Fees

There are no loans applicable to the business activities in the operating statement.

(ii) Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed.

Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community service obligations.

Accordingly, Subsidies disclosed (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

(iii) Return on Investments (Rate of Return)

The Policy statement requires that councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field".

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.07% at 30/6/15.

Ku-ring-gai Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

The actual rate of return achieved by each Business Activity is disclosed at the foot of each respective Income Statement.

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Current Assets and Liabilities

Current Assets and Liabilities are accounted for in Council's consolidated general fund and in our view would not make a material difference to the financial position of Council's Business Activities.

**Ku-ring-gai Council
Special Purpose Financial Report
Independent Auditor's Report**

We have audited the accompanying financial report, being a special purpose financial report, of Ku-ring-gai Council (the Council), which comprises the statement of financial position as at 30 June 2015, the income statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Councillors and Management.

Council's Responsibility for the Financial Report

The Council is responsible for the preparation of the financial report and has determined that the basis of preparation described in Note 1 to the financial report is appropriate to satisfy the requirements of the *Local Government Act 1993* and meet the needs of the NSW Office of Local Government. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the special purpose financial report of Ku-ring-gai Council for the year ended 30 June 2015 included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

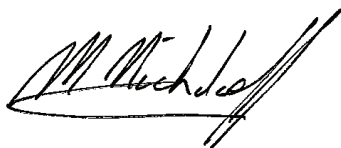
Auditor's Opinion

In our opinion the special purpose financial report of Ku-ring-gai Council:

- a) has been prepared in accordance with the requirements of those applicable Australian Accounting Standards detailed in note 1 and the Local Government Code of Accounting Practice and Financial Reporting;
 - i) is consistent with the Council's accounting records;
 - ii) presents fairly, in all material respects, the financial position of Council's nominated Business Activities as at 30 June 2015 and the results of their operations for the year then ended;
- b) all information relevant to the conduct of the audit has been obtained; and
- c) there are no material deficiencies in the accounting records or financial report that we have become aware of in the course of the audit.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the requirements of the NSW Office of Local Government. As a result, the financial report may not be suitable for another purpose.



M.D. Nicholaeff
Partner



UHY Haines Norton
Chartered Accountants

Signed in Sydney on 9th September 2015

Ku-ring-gai Council

SPECIAL SCHEDULES

for the year ended 30 June 2015

"...a creative, vibrant place where citizens respect each other and conserve the magnificent environment and society for our children and our grandchildren"



Ku-ring-gai Council

Special Schedules for the financial year ended 30 June 2015

| Contents | | Page |
|--------------------------------------|--|------|
| Special Schedules¹ | | |
| - Special Schedule No. 1 | Net Cost of Services | 2 |
| - Special Schedule No. 2(a) | Statement of Long Term Debt (all purposes) | 4 |
| - Special Schedule No. 7 | Report on Infrastructure Assets (as at 30 June 2015) | 5 |
| - Special Schedule No. 8 | Financial Projections | 9 |
| - Special Schedule No. 9 | Permissible Income Calculation | 10 |

¹ Special Schedules are not audited (with the exception of Special Schedule 9).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Ku-ring-gai Council

Special Schedule No. 1 - Net Cost of Services for the financial year ended 30 June 2015

\$'000

| Function or Activity | Expenses from Continuing Operations | Income from continuing operations | | Net Cost of Services |
|---|-------------------------------------|-----------------------------------|------------|----------------------|
| | | Non Capital | Capital | |
| Governance | 176 | 11 | - | (165) |
| Administration | 25,200 | 48,963 | 15 | 23,778 |
| Public Order and Safety | | | | |
| Emergency Services | 2,747 | 92 | 146 | (2,509) |
| Enforcement of Local Govt. Regulations | 1,203 | 225 | - | (978) |
| Animal Control | 197 | 175 | - | (22) |
| Total Public Order & Safety | 4,147 | 492 | 146 | (3,509) |
| Health | 373 | 173 | - | (200) |
| Environment | | | | |
| Other Environmental Protection | 1,656 | 1,671 | 18 | 33 |
| Solid Waste Management | 14,878 | 18,927 | - | 4,049 |
| Street Cleaning | 1,373 | - | - | (1,373) |
| Drainage | 3,190 | - | - | (3,190) |
| Stormwater Management | 3,450 | 228 | 61 | (3,161) |
| Total Environment | 24,547 | 20,826 | 79 | (3,642) |
| Community Services and Education | | | | |
| Administration & Education | 2,772 | 2,894 | - | 122 |
| Aged Persons and Disabled | 311 | 185 | - | (126) |
| Children's Services | 3,431 | 3,729 | - | 298 |
| Total Community Services & Education | 6,514 | 6,808 | - | 294 |
| Housing and Community Amenities | | | | |
| Street Lighting | 2,239 | 277 | - | (1,962) |
| Town Planning | 1,958 | 411 | 1 | (1,546) |
| Other Community Amenities | 269 | 459 | - | 190 |
| Total Housing and Community Amenities | 4,466 | 1,147 | 1 | (3,318) |

Ku-ring-gai Council

Special Schedule No. 1 - Net Cost of Services (continued)
for the financial year ended 30 June 2015

\$'000

| Function or Activity | Expenses from Continuing Operations | Income from continuing operations | | Net Cost of Services |
|--|-------------------------------------|-----------------------------------|--------------|----------------------|
| | | Non Capital | Capital | |
| Recreation and Culture | | | | |
| Public Libraries | 4,397 | 349 | 61 | (3,987) |
| Art Galleries | 645 | 452 | - | (193) |
| Community Centres and Halls | 1,838 | 849 | - | (989) |
| Other Cultural Services | 585 | 112 | - | (473) |
| Sporting Grounds and Venues | 5,045 | 560 | 81 | (4,404) |
| Swimming Pools | 3,411 | 2,234 | - | (1,177) |
| Parks & Gardens (Lakes) | 7,610 | 413 | 4,867 | (2,330) |
| Other Sport and Recreation | 315 | - | 668 | 353 |
| Total Recreation and Culture | 23,846 | 4,969 | 5,677 | (13,200) |
| Mining, Manufacturing and Construction | | | | |
| Building Control | 7,829 | 2,259 | - | (5,570) |
| Total Mining, Manufacturing and Const. | 7,829 | 2,259 | - | (5,570) |
| Transport and Communication | | | | |
| Urban Roads (UR) - Local | 10,525 | 1,287 | 1,265 | (7,973) |
| Parking Areas | 728 | 2,085 | - | 1,357 |
| Footpaths | 2,188 | 98 | - | (2,090) |
| Other Transport & Communication | - | - | 1,943 | 1,943 |
| Total Transport and Communication | 13,441 | 3,470 | 3,208 | (6,763) |
| Economic Affairs | | | | |
| Camping Areas & Caravan Parks | 195 | 31 | - | (164) |
| Total Economic Affairs | 195 | 31 | - | (164) |
| Totals – Functions | 110,734 | 89,149 | 9,126 | (12,459) |
| General Purpose Revenues ⁽²⁾ | | 35,045 | | 35,045 |
| Share of interests - joint ventures & associates using the equity method | - | - | | - |
| NET OPERATING RESULT ⁽¹⁾ | 110,734 | 124,194 | 9,126 | 22,586 |

(1) As reported in the Income Statement

(2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) & Interest on overdue Rates & Annual Charges

Ku-ring-gai Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)
for the financial year ended 30 June 2015

\$'000

| Classification of Debt | Principal outstanding at beginning of the year | | | New Loans raised during the year | Debt redemption during the year | | Transfers to Sinking Funds | Interest applicable for Year | Principal outstanding at the end of the year | | |
|-----------------------------|--|---------------|---------------|----------------------------------|---------------------------------|---------------|----------------------------|------------------------------|--|---------------|---------------|
| | Current | Non Current | Total | | From Revenue | Sinking Funds | | | Current | Non Current | Total |
| Loans (by Source) | | | | | | | | | | | |
| Commonwealth Government | - | - | - | | | | | | | - | - |
| Treasury Corporation | - | - | - | | | | | | | - | - |
| Other State Government | - | - | - | | | | | | | - | - |
| Public Subscription | - | - | - | | | | | | | - | - |
| Financial Institutions | 4,347 | 39,335 | 43,682 | 1,033 | 18,192 | - | - | 1,562 | 2,536 | 23,987 | 26,523 |
| Other | - | - | - | | | | | | | - | - |
| Total Loans | 4,347 | 39,335 | 43,682 | 1,033 | 18,192 | - | - | 1,562 | 2,536 | 23,987 | 26,523 |
| Other Long Term Debt | | | | | | | | | | | |
| Ratepayers Advances | - | - | - | | | | | | | - | - |
| Government Advances | - | - | - | | | | | | | - | - |
| Finance Leases | - | - | - | | | | | | | - | - |
| Deferred Payments | - | - | - | | | | | | | - | - |
| Total Long Term Debt | - | - | - | - | - | - | - | - | - | - | - |
| Total Debt | 4,347 | 39,335 | 43,682 | 1,033 | 18,192 | - | - | 1,562 | 2,536 | 23,987 | 26,523 |

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

New loans raised during the year include Capitalised interest portion on loan associated with Council's Administration Building.

Ku-ring-gai Council

Special Schedule No. 7 - Report on Infrastructure Assets
as at 30 June 2015

\$'000

| Asset Class | Asset Category | Estimated cost to bring up to a satisfactory standard ⁽¹⁾ | Required ⁽²⁾ Annual Maintenance | Actual ⁽³⁾ Maintenance 2014/15 | Written Down Value (WDV) ⁽⁴⁾ | Assets in Condition as a % of WDV ^{(4), (5)} | | | | |
|------------------------------------|-----------------------|--|--|---|---|---|--------------|--------------|--------------|-------------|
| | | | | | | 1 | 2 | 3 | 4 | 5 |
| Buildings | | | | | | | | | | |
| | All Council Buildings | 5,306 | 2,750 | 1,741 | 77,112 | 20% | 24% | 36% | 20% | 0% |
| | sub total | 5,306 | 2,750 | 1,741 | 77,112 | 20.0% | 24.0% | 36.0% | 20.0% | 0.0% |
| Other Structures | | | | | | | | | | |
| | Other Structures | 211 | 85 | 20 | 7,901 | 28% | 36% | 33% | 3% | 0% |
| | sub total | 211 | 85 | 20 | 7,901 | 28.5% | 35.9% | 32.9% | 2.7% | 0.0% |
| Roads | | | | | | | | | | |
| | Roads | 17,965 | 2,110 | 1,675 | 174,372 | 14% | 41% | 32% | 11% | 2% |
| | Bridges | 4 | 90 | - | 6,549 | 0% | 65% | 34% | 0% | 0% |
| | Footpaths | 749 | 960 | 988 | 31,347 | 53% | 22% | 23% | 2% | 0% |
| | Kerb and Gutter | 127 | 525 | 248 | 69,304 | 5% | 11% | 84% | 0% | 0% |
| | Road Furniture | 51 | 135 | - | 5,948 | 46% | 33% | 21% | 1% | 0% |
| | sub total | 18,896 | 3,820 | 2,911 | 287,520 | 16.3% | 31.8% | 43.5% | 7.3% | 1.0% |
| Drainage | | | | | | | | | | |
| | Pits and Pipes | 857 | 1,900 | 600 | 163,119 | 16% | 73% | 10% | 1% | 0% |
| | sub total | 857 | 1,900 | 600 | 163,119 | 16.0% | 73.4% | 9.9% | 0.7% | 0.0% |
| Open Space and Recreational Assets | | | | | | | | | | |
| | Swimming Pools | - | 630 | - | 19,887 | 100% | 0% | 0% | 0% | 0% |
| | Recreational Assets | 1,720 | 1,586 | 5,833 | 46,099 | 29% | 35% | 34% | 1% | 0% |
| | sub total | 1,720 | 2,216 | 5,833 | 65,986 | 50.4% | 24.5% | 23.9% | 0.9% | 0.3% |

Ku-ring-gai Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
as at 30 June 2015

\$'000

| Asset Class | Asset Category | Estimated cost to bring up to a satisfactory standard ⁽¹⁾ | Required ⁽²⁾ Annual Maintenance | Actual ⁽³⁾ Maintenance 2014/15 | Written Down Value (WDV) ⁽⁴⁾ | Assets in Condition as a % of WDV ^{(4), (5)} | | | | |
|---------------------------------|---------------------------|--|--|---|---|---|--------------|--------------|-------------|-------------|
| | | | | | | 1 | 2 | 3 | 4 | 5 |
| Land Improvements - Depreciable | | | | | | | | | | |
| | Land Improvements | - | 200 | - | 16,930 | 97% | 3% | 0% | 0% | 0% |
| | sub total | - | 200 | - | 16,930 | 97.0% | 3.0% | 0.0% | 0.0% | 0.0% |
| | TOTAL - ALL ASSETS | 26,990 | 10,971 | 11,105 | 618,568 | 22.7% | 40.3% | 30.3% | 6.2% | 0.5% |

Council undertook an independent review of its infrastructure assets and financial data to ensure that there is a consistent organisational approach to infrastructure reporting that is aligned with industry standards. The following was reviewed: condition of Council's assets by asset class, unit rates and useful lives, Council's methodology to determine cost to bring assets to a satisfactory condition, actual asset maintenance compared to required asset maintenance, current asset renewals and required asset renewals. All asset classes reported in Special Schedule 7 "Report on Infrastructure Assets" have been assessed as part of the review as well as the overall cost to bring infrastructure assets to a satisfactory condition. Based on revised condition assessment of Council's infrastructure assets a new methodology for determining the infrastructure backlog has been applied and as at end of June 2014/15 the backlog was assessed at \$26.9m

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

| | | |
|---|------------------|---------------------------------------|
| 1 | Excellent | No work required (normal maintenance) |
| 2 | Good | Only minor maintenance work required |
| 3 | Average | Maintenance work required |
| 4 | Poor | Renewal required |
| 5 | Very Poor | Urgent renewal/upgrading required |

Ku-ring-gai Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2015

| \$ '000 | Amounts 2015 | Indicator 2015 | Prior Periods 2014 2013 | |
|--|-----------------|-------------------|---------------------------------|--------|
| Infrastructure Asset Performance Indicators Consolidated | | | | |
| 1. Building, Infrastructure & Other Structures | | | | |
| Renewals Ratio | | | | |
| Asset Renewals | | | | |
| (Building, Infrastructure & Other Structures) ⁽¹⁾ | 16,982 | 100.01% | 104.35% | 94.06% |
| Depreciation, Amortisation & Impairment | 16,980 | | | |
| 2. Infrastructure Backlog Ratio | | | | |
| Estimated Cost to bring Assets to a Satisfactory Condition | 26,990 | 4.36% | 31.91% | 29.79% |
| Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets | 618,568 | | | |
| 3. Asset Maintenance Ratio | | | | |
| Actual Asset Maintenance | 11,105 | 1.01 | 0.95 | 0.81 |
| Required Asset Maintenance | 10,971 | | | |
| 4. Capital Expenditure Ratio | | | | |
| Annual Capital Expenditure | 24,764 | 1.28 | 2.29 | 4.05 |
| Annual Depreciation | 19,349 | | | |

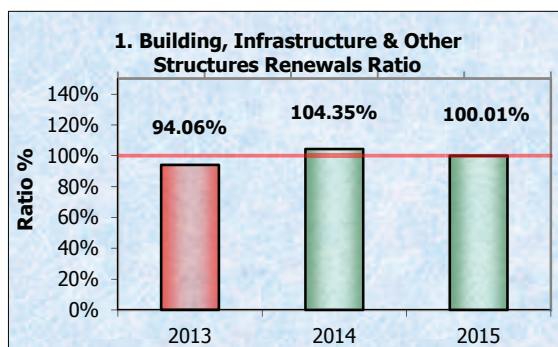
Notes

⁽¹⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building, infrastructure & other structure assets only.

⁽²⁾ Written Down Value

Ku-ring-gai Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2015



Purpose of Asset Renewals Ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

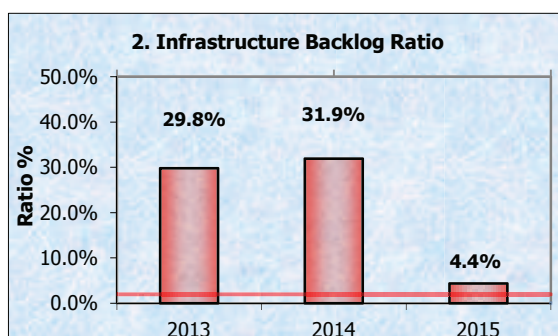
Commentary on 2014/15 Result

2014/15 Ratio 100.01%

An indicator of 100% indicates that the amount spent on asset renewals equals the amount of depreciation. Council's ratio for 2014/15 is in line with the benchmark. Council is continuing to focus on appropriate asset standards for renewal and maintenance as identified in Council's Asset Management Strategy. Future financial and asset management plans have consciously prioritised renewal capital works programs over new programs.

Benchmark: — Minimum $\geq 100.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of Infrastructure Backlog Ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

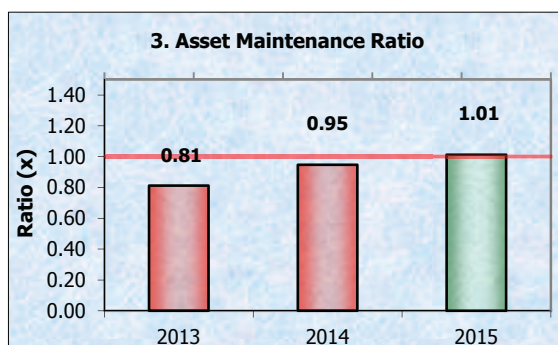
Commentary on 2014/15 Result

2014/15 Ratio 4.4%

Council achieved a backlog ratio of 4.4% at the end of 2014/15 financial year, which is a major decrease from the previous year. This was mainly due to an independent review on infrastructure assets that was undertaken during the year. This review was focused on assessing condition of Council's assets by asset class and reviewing Council's methodology to determine cost to bring assets to a satisfactory condition. The ratio of 4.4% achieved in 2014/15 is an improvement from previous years, however, it indicates that Council still has an infrastructure backlog. Council is continuing to focus on appropriate asset standards for renewal and maintenance of its assets.

Benchmark: — Maximum $< 2.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of Asset Maintenance Ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.

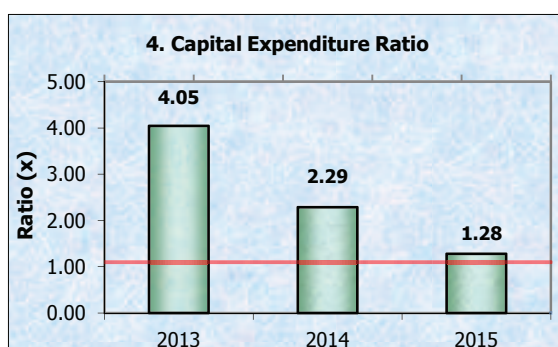
Commentary on 2014/15 Result

2014/15 Ratio 1.01 x

A ratio of above 1.0x indicates that the Council is investing enough funds within the year to ensure assets reach their useful lives. The benchmark is greater than 1.0x. Council is committed to increase expenditure on asset maintenance in future to maintain its infrastructure assets in satisfactory condition in the long term.

Benchmark: — Minimum > 1.00
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of Capital Expenditure Ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

Commentary on 2014/15 Result

2014/15 Ratio 1.28 x

Council's Capital Expenditure Ratio of 1.28x continues to be above the benchmark of 1.10x reflecting its significant capital expenditure program on new assets and the renewal of existing assets compared to their depreciation. The decrease from previous year is largely due to less capital works undertaken during the year compared to previous year.

Benchmark: — Minimum > 1.10
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark

Ku-ring-gai Council

Special Schedule No. 8 - Financial Projections as at 30 June 2015

Special Schedule 8 data is now being collected in the Financial Data Return.

Ku-ring-gai Council

Special Schedule No. 9 - Permissible Income Calculation for the financial year ended 30 June 2016

| \$'000 | | Calculation 2014/15 | Calculation 2015/16 |
|---|------------------------|------------------------|------------------------|
| Notional General Income Calculation ⁽¹⁾ | | | |
| Last Year Notional General Income Yield | a | 56,965 | 58,666 |
| Plus or minus Adjustments ⁽²⁾ | b | 381 | 539 |
| Notional General Income | c = (a + b) | 57,346 | 59,205 |
| Permissible Income Calculation | | | |
| Special variation percentage ⁽³⁾ | d | 7.30% | 0.00% |
| or Rate peg percentage | e | 2.30% | 2.40% |
| or Crown land adjustment (incl. rate peg percentage) | f | 0.00% | 0.00% |
| less expiring Special variation amount | g | (2,620) | (1,683) |
| plus Special variation amount | h = d x (c+g) | 3,995 | - |
| or plus Rate peg amount | i = c x e | - | 1,381 |
| or plus Crown land adjustment and rate peg amount | j = c x f | - | - |
| sub-total | k = (c+g+h+i+j) | 58,721 | 58,903 |
| plus (or minus) last year's Carry Forward Total | l | (0) | 55 |
| less Valuation Objections claimed in the previous year | m | - | - |
| sub-total | n = (l + m) | (0) | 55 |
| Total Permissible income | o = k + n | 58,721 | 58,957 |
| less Notional General Income Yield | p | 58,666 | 58,973 |
| Catch-up or (excess) result | q = o - p | 55 | (16) |
| plus Income lost due to valuation objections claimed ⁽⁴⁾ | r | - | 18 |
| less Unused catch-up ⁽⁵⁾ | s | - | - |
| Carry forward to next year | t = q + r - s | 55 | 2 |

Notes

- 1 The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- 2 Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- 3 The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- 4 Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Council can claim the value of the income lost due to valuation objections in any single year.
- 5 Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- 6 Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Special Schedule 9 in the Financial Data Return (FDR) to administer this process.

Ku-ring-gai Council**Report on Special Schedule No. 9**

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Scope

We have audited the accompanying special purpose financial report comprising the reconciliation of total permissible general income (Special Schedule No.9) of Ku-ring-gai Council for the year ending 30 June 2016.

Responsibility of Council for Special Schedule No.9

The Council is responsible for the preparation and fair presentation of Special Schedule No.9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No.23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No.9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No.9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether Special Schedule No.9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No.9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No.9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No.9.

Because of the inherent limitations of an audit, together with the inherent limitations of internal controls, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No.9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

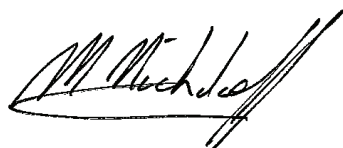
In conducting our audit, we followed applicable independence requirements of Australian Professional Ethical Pronouncements.

Audit Opinion


In our opinion, Special Schedule No.9 of Ku-ring-gai Council for the year ending 30 June 2016 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.



M.D. Nicholaeff
Partner



UHY Haines Norton
Chartered Accountants

Signed in Sydney on 9th September 2015



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